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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

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UNITED NATIONS DEVELOPMENT PROGRAMME

Summary of the Audited Status of Funds Submitted by the Executing Agencies as at 31 December 1989 (expressed in US Dollars)

	UNHQS	ECA	ECE	ECLAC	ESCAP	ESCWA	UNCTAD	UNCHS	ILO	FAO
Operating Fund										
Balance at 1 January 1989	(22,623,633)	(1,424,299)	(282,588)	(176,480)	(2,525,707)	11,023	(315,542)	(7,142,621)	(5,765,262)	(38,656,880)
Add: Cash drawings from UNDP	79,551,032	4,000,000	300,000	990,000	4,725,400	-	11,722,294	8,057,137	42,170,594	101,931,264
IOVs	75,076,706	3,435,373	75,549	3,180,050	3,339,017	338,856	3,602,793	9,108,514	26,207,351	98,415,172
Other charges (net)	(41,494,444)	-	2,687	(1,569,079)	648,720	2,299	(254,006)	(23,536)	-	(3,479,457)
Miscellaneous income and exchange adjustments (net)	86,494	-	-	-	18,522	879	57,065	49,186	(21,267)	(286,498)
Miscellaneous items refunded to (by) UNDP (net)	5,158	230,297	3,081	2,601	-	10,792	(18,684)	14,122	-	343,448
Expenses incurred on completed projects	-	-	-	-	-	-	-	-	-	-
	90,601,313	6,241,371	98,729	2,427,092	6,205,952	363,849	14,793,920	10,062,802	62,591,416	158,267,049
Deduct: Expenditure during 1989										
For Projects: disbursements	75,203,255	4,286,683	340,083	2,139,185	6,163,757	63,710	12,024,297	9,842,952	54,229,793	140,062,048
unliq. obligations	29,116,844	2,685,040	36,111	358,515	3,759,335	124,186	2,703,219	4,443,340	7,911,896	25,686,449
For programme support costs	13,082,555	906,324	48,505	324,701	1,290,002	24,426	1,912,776	1,854,648	8,015,897	21,349,190
Miscellaneous items	-	-	-	-	-	-	-	-	76,223	-
Additional audit services	-	-	-	-	-	-	-	-	-	-
	117,402,654	7,878,047	424,699	2,822,401	11,213,094	212,322	16,640,292	16,140,940	70,233,809	187,097,687
Balance as at 31 December 1989	(26,801,341)	(1,636,676)	(325,970)	(395,309)	(5,007,142)	151,527	(1,846,372)	(6,078,138)	(7,642,393)	(28,830,638)
Represented by:										
Cash at bank, on hand and in transit	4,607,864	154,952	-	-	784,504	53,987	468,668	366,800	4,768,453	8,075,041
Investments	-	-	-	-	-	-	-	-	-	-
Due from other Funds	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	3,525,046	1,199,715	186,147	1,183,425	282,508	307,063	2,062,653	485,720	1,656,595	7,275,335
Deferred Charges	-	762,122	-	-	-	-	-	-	-	-
	8,132,910	2,116,789	186,147	1,183,425	1,067,012	361,050	2,531,321	852,520	6,425,048	15,350,376
Deduct: Due to other funds	-	-	-	1,078,489	-	-	-	-	-	-
Accounts Payable	5,817,407	1,068,425	476,006	141,730	2,314,819	85,337	1,674,474	2,487,318	6,155,545	18,494,565
1989 Unliquidated Obligations	29,116,844	2,685,040	36,111	358,515	3,759,335	124,186	2,703,219	4,443,340	7,911,896	25,686,449
	34,934,251	3,753,465	512,117	1,578,734	6,074,154	209,523	4,377,693	6,930,658	14,067,441	44,181,014
Balance as above a/	(26,801,341)	(1,636,676)	(325,970)	(395,309)	(5,007,142)	151,527	(1,846,372)	(6,078,138)	(7,642,393)	(28,830,638)

a/ Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

UNITED NATIONS DEVELOPMENT PROGRAMME

Summary of the Audited Status of Funds Submitted by the Executing Agencies as at 31 December 1989 (expressed in US Dollars)

	UNESCO	ICAO	World Bank	IFC	WHO	UPU	ITU	WMO	IMO	WIPO
Operating Fund										
Balance at 1 January 1989	(10,099,833)	(9,376,554)	3,084,555	-	241,644	(429,804)	(6,604,628)	(2,389,587)	(822,655)	(908,836)
Add: Cash drawings from UNDP	19,191,000	30,505,861	46,585,271	-	16,872,418	540,000	22,200,000	8,492,164	5,665,760	1,793,327
IOVs	24,948,439	11,741,459	16,831,981	-	6,209,453	2,512,571	9,469,511	7,870,725	1,569,575	2,273,965
Other charges (net)	(5,162,079)	63,204	434,260	1,170	(2,660,707)	(24,360)	(91,366)	(80,549)	(392,566)	(54,632)
Miscellaneous income and exchange adjustments (net)	(150,688)	42,514	(77,606)	-	(45,065)	(6,938)	-	(70,592)	5,571	6,443
Miscellaneous items refunded to (by) UNDP (net)	27,718	3,436	-	-	2,088	5,180	77,268	8,618	2,286	1,155
Expenses incurred on completed projects	-	-	-	-	-	-	(11,413)	-	-	-
Transfer of project expenditure	-	-	-	33,300	-	-	-	-	-	-
	28,754,557	32,979,920	66,858,461	34,470	20,619,831	2,596,649	25,039,372	13,830,779	6,027,971	3,111,422
Deduct: Expenditure during 1989										
For Projects: disbursements	21,028,670	27,245,121	51,253,888	514,257	16,296,555	2,103,828	21,559,153	11,623,552	5,085,503	2,944,924
unliq. obligations	10,751,937	8,999,046	6,777,953	314,045	3,907,414	346,380	4,836,376	3,490,082	827,892	397,013
For programme support costs	4,094,564	4,579,777	6,342,900	91,113	2,299,865	539,046	3,260,617	2,097,237	1,122,042	734,972
Miscellaneous items	-	-	-	-	-	-	-	-	-	-
Additional audit services	-	-	37,700	-	-	-	-	-	-	-
	35,875,171	40,823,944	64,412,441	919,415	22,503,834	2,989,254	29,656,146	17,210,871	7,035,437	4,076,909
Balance as at 31 December 1989	(7,120,614)	(7,844,024)	2,446,020	(884,945)	(1,884,003)	(392,605)	(4,616,774)	(3,380,092)	(1,007,466)	(965,487)
Represented by:										
Cash at bank, on hand and in transit	1,730,776	2,377,545	2,436,275	-	-	(135,724)	448,383	323,045	50,252	8,854
Investments	-	-	1,710,922	-	-	-	-	-		-
Due from other Funds	-	1,298,960	2,930,728	-	-	-	-	-	-	-
Accounts Receivable	5,528,258	1,659,019	6,740,269	-	2,023,411	228,996	1,161,403	1,128,223	372,802	43,142
Deferred charges	-	-	-	-	-	-	-	-	-	-
	7,259,034	5,335,524	13,818,194	0	2,023,411	93,272	1,609,786	1,451,268	423,054	51,996
Deduct: Due to other funds	-	211,018	-	-	-	-	-	-	-	-
Accounts Payable	3,627,711	3,969,484	4,594,221	570,900	-	139,497	1,390,184	1,341,278	602,628	620,470
1989 Unliquidated Obligations	10,751,937	8,999,046	6,777,953	314,045	3,907,414	346,380	4,836,376	3,490,082	827,892	397,013
	14,379,648	13,179,548	11,372,174	884,945	3,907,414	485,877	6,226,560	4,831,360	1,430,520	1,017,483
Balance as above a/	(7,120,614)	(7,844,024)	2,446,020	(884,945)	(1,884,003)	(392,605)	(4,616,774)	(3,380,092)	(1,007,466)	(965,487)

a/ Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

UNITED NATIONS DEVELOPMENT PROGRAMME

Summary of the Audited Status of Funds Submitted by the Executing Agencies as at 31 December 1989 (expressed in US Dollars)

	UNIDO	IAEA	WTO	ADB	AsDB	ITC	SUBTOTAL	GOVERNMENTS	UNDP	TOTAL
Operating Fund										
Balance at 1 January 1989	(30,642,382)	(2,448,961)	(219,372)	(320,283)	(812,239)	(1,845,316)	(142,496,240)	12,074,978	(25,622,149)	(156,043,411)
Add: Cash drawdowns from UNDP	67,656,159	2,307,000	3,168,000	2,503,566	8,044,090	8,671,729	497,644,066	100,121,206	130,734,472	728,499,744
IOVs	25,962,676	2,324,237	1,039,117	-	621,191	6,022,876	342,177,157	-	-	342,177,157
Other charges (net)	(3,997,341)	19,428	(228,140)	39,071	56,239	909,328	(57,335,856)	-	-	(57,335,856)
Miscellaneous income and exchange adjustments (net)	59,558	(825)	30,228	4,075	(5,337)	30,282	(273,999)	-	(18,743)	(292,742)
Miscellaneous items refunded to (by) UNDP (net)	(17,523)	(3,916)	(1,920)	-	6,135	41,921	743,261	-	(53,898)	689,363
Expenses incurred on completed projects	-	-	-	-	-	-	(11,413)	-	-	(11,413)
Transfer of project expenditure	-	-	-	-	-	-	33,300	-	-	33,300
	59,021,147	2,196,963	3,787,913	2,226,429	7,910,079	13,830,820	640,480,276	112,196,184	105,039,682	857,716,142
Deduct: Expenditure during 1989										
For Projects: disbursements	46,675,765	1,554,044	2,886,823	2,191,994	5,435,266	11,270,206	534,025,312	100,079,136	82,858,807	716,963,255
unliq. obligations	33,193,764	1,398,879	113,987	184,355	3,298,455	3,576,318	159,238,831	-	19,425,255	178,664,086
For programme support costs	10,319,025	649,643	660,178	308,925	1,135,384	1,921,099	88,965,411	1,267,099	22,180,875	112,413,385
Miscellaneous items	-	-	-	-	-	-	76,223	-	-	76,223
Additional audit services	-	862	-	-	13,000	-	51,562	-	-	51,562
	90,188,554	3,603,428	3,660,988	2,685,274	9,882,105	16,767,623	782,357,339	101,346,235	124,464,937	1,008,168,511
Balance as at 31 December 1989	(31,167,407)	(1,406,465)	126,925	(458,845)	(1,972,026)	(2,936,803)	(141,877,063)	10,849,949	(19,425,255)	(150,452,369)
Represented by:										
Cash at bank, on hand and in transit	4,314,355	253,126	101,158	29,296	92,917	390,126	31,700,653	-	-	31,700,653
Investments	-				-	-	1,710,922	-	-	1,710,922
Due from other Funds	-	-	-	-	-	-	4,229,688	-	-	4,229,688
Accounts Receivable	28,455,048	223,776	151,599	-	2,321,850	920,816	69,122,819	10,966,309	-	80,089,128
Miscellaneous exchange differences	-		-	13,771	-	-	775,893	-	-	775,893
	32,769,403	476,902	252,757	43,067	2,414,767	1,310,942	107,539,975	10,966,309	0	118,506,284
Deduct: Due to other funds	-	-	-	-	-	-	1,289,507	-	-	1,289,507
Accounts Payable	30,743,046	484,488	11,845	317,557	1,088,338	671,427	88,888,700	116,360	-	89,005,060
1989 Unliquidated Obligations	33,193,764	1,398,879	113,987	184,355	3,298,455	3,576,318	159,238,831	-	19,425,255	178,664,086
	63,936,810	1,883,367	125,832	501,912	4,386,793	4,247,745	249,417,038	116,360	19,425,255	268,958,653
Balance as above a/	(31,167,407)	(1,406,465)	126,925	(458,845)	(1,972,026)	(2,936,803)	(141,877,063)	10,849,949	(19,425,255)	(150,452,369)

a/ Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

STATEMENT XVIII

TECHNICAL CO-OPERATION ACTIVITIES a/

I. Combined statement of income and expenditure for the biennium 1988-1989 ended 31 December 1989

(United States dollars)

	United Nations	UNCTAD	UNCHS	Regional commissions: Africa	Regional commissions: Asia and the Pacific	Regional commissions: Europe	Regional commissions: Latin America and the Caribbean	Regional commissions: Western Asia	Total	
Income										
Allocations	307 984 510	30 035 865	38 777 199	27 252 664	25 887 049	1 753 215	11 326 805	5 167 606	448 184 913	
Contributions	38 370 999	6 953 179	2 261 874	1 302 601	16 154 217	-	9 887 733	80 031	75 011 434	b/
Interest income	3 397 985	313 941	118 481	1 658 457	848 423	-	681 575	28 279	7 047 141	
Miscellaneous income	1 015 709	497 704	-	65 606	-	-	9 723	17 469	1 606 211	
Total income	350 769 203	37 800 689	41 157 554	30 279 328	42 889 689	1 753 215	21 905 836	5 294 185	531 849 699	
Expenditure										
Staff and other personnel costs	139 858 063	18 723 562	16 163 673	14 674 411	18 261 606	929 408	12 717 589	3 637 954	224 966 266	
Travel	17 495 820	5 177 959	1 136 916	3 924 679	2 440 992	218 933	1 475 663	576 383	32 447 345	
Contractual services	13 009 970	195 829	8 712 020	604 332	5 029 091	86 231	762 931	142 000	28 562 404	
Operating expenses	15 012 928	1 136 644	1 505 228	1 313 946	2 168 826	56 833	1 200 453	175 638	22 570 496	
Acquisitions	70 073 644	1 607 149	6 419 550	2 177 363	1 329 393	56 522	838 414	152 647	82 654 682	
Fellowships	60 138 992	4 654 196	2 479 607	5 000 114	8 975 900	240 301	2 436 103	362 346	84 287 559	
Total project costs	315 589 417	31 495 339	36 436 994	27 694 845	38 205 808	1 588 228	19 431 153	5 046 968	475 488 752	
Programme support costs	36 034 853	3 620 914	4 294 192	3 155 334	4 646 402	164 987	2 269 521	350 900	54 537 103	c/
Total expenditure	351 624 270	35 116 253	40 731 186	30 850 179	42 852 210	1 753 215	21 700 674	5 397 868	530 025 855	
Excess of income over expenditure	(855 067)	2 684 436	426 368	(570 851)	37 479	-	205 162	(103 683)	1 823 844	

II. Combined statement of assets and liabilities as at 31 December 1989

	United Nations	UNCTAD	UNCHS	Regional commissions: Africa	Regional commissions: Asia and the Pacific	Regional commissions: Europe	Regional commissions: Latin America and the Caribbean	Regional commissions: Western Asia	Total	
Assets										
Cash	21 003 663	50 906 532	1 251 078	8 260 575	24 702 787	-	4 061 254	165 159	110 351 048	
Pledged contributions unpaid	819 481	-	155 056	3 730 093	-	-	433 408	-	5 138 038	
Accounts receivable	3 370 731	3 224 545	210 554	1 512 329	615 725	10 671	1 316 291	347 580	10 608 426	
Due from UNDP, UNFPA and UNEP for excess of expenditure over funds provided	49 803 565	1 877 813	7 991 179	1 762 917	5 398 041	325 970	424 891	692 902	68 277 278	
Unspent allocations	240 252 138	37 069 961	5 729 923	9 369 813	19 585 212	2 265 305	7 831 641	402 890	322 506 883	d/
Interfund balances receivable	2 054 515	899 374	-	-	314 273	245 498	-	-	3 513 660	
Due from United Nations General Fund (note 6)	4 313 885	-	280 314	312 485	-	175 476	604 244	-	5 686 404	
Deferred charges and other assets	23 889 724	-	25 792	1 024 625	436 699	-	29 638	-	25 406 478	
Total assets	345 507 702	93 978 225	15 643 896	25 972 837	51 052 737	3 022 920	14 701 367	1 608 531	551 488 215	

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STATEMENT XVIII (continued)

	United Nations	UNCTAD	UNCHS	Regional commissions: Africa	Regional commissions: Asia and the Pacific	Regional commissions: Europe	Regional commissions: Latin America and the Caribbean	Regional commissions: Western Asia	Total
Liabilities									
Accounts payable	14 069 049	47 752 822	1 412 696	1 495 707	10 606 882	3 294	222 318	231 915	75 794 683
Unliquidated obligations	47 461 835	3 167 568	5 733 847	3 831 655	6 369 940	48 389	1 314 784	467 782	68 395 800
Unliquidated obligations for future years	21 317 464	-	-	-	436 699	-	-	-	21 754 163
Interfund balances payable	2 054 515	899 374	-	-	314 273	245 498	-	-	3 513 660
Due to special accounts for programme support costs (statement XX)	-	876 411	1 414 653	-	1 902 887	227 214	-	-	4 421 165
Due to United Nations General Fund (note 6)	-	97 883	595 302	-	425 552	-	1 096 469	271 639	2 486 845
Operating fund	-	-	-	80 834	6 840	233 220	-	151 527	472 421
Deferred income	253 787 072	37 069 961	5 815 896	9 456 613	29 893 304	2 265 305	9 000 787	402 890	347 691 828
Total liabilities	338 689 935	89 864 019	14 972 394	14 864 809	49 956 377	3 022 920	11 634 358	1 525 753	524 530 565
Fund balance									
Balance available 1 January 1988	7 672 834	1 429 770	245 134	11 678 879	1 058 881	-	2 861 847	186 461	25 133 806 g/
Add: Excess of income over expenditure	(855 067)	2 684 436	426 368	(570 851)	37 479	-	205 162	(103 683)	1 823 844
Balance available 31 December 1989 (schedule 18.2)	6 817 767	4 114 206	671 502	11 108 028	1 096 360	-	3 067 009	82 778	26 957 650
Total liabilities and fund balance	345 507 702	93 978 225	15 643 896	25 972 837	51 052 737	3 022 920	14 701 367	1 608 531	551 488 215

STATEMENT 1

United Nations Development Programme

International Labour Organisation

Status of Funds as at 31 December 1989

(Expressed in US Dollars)

Operating Fund for the Biennium 1988-89

Balance as at 1 January 1988					(6 697 647)
Add:	Cash drawing from UNDP			86 625 609	
	1988		44 455 015		
	1989		42 170 594		
	IOVs and other charges (net)			47 689 303	
	1988		21 481 952		
	1989		26 207 351		
	Miscellaneous income and exchange adjustments (net)			336 003	
	1988		357 270		
	1989		(21 267)		134 650 915
					127 953 268
Less:	Expenditure			135 489 856	
	Disbursements		104 428 655		
	1988	50 198 862			
	1989	54 229 793			
	Unliquidated obligations		15 570 005		
	1988	7 658 109			
	1989	7 911 896			
	Programme support costs		15 491 196		
	1988	7 475 299			
	1989	8 015 897			
	Miscellaneous items (net)			105 805	
	1988		29 582		
	1989		76 223		135 595 661
Balance as at 31 December 1989					(7 642 393)

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The balance at 31 December 1989 was represented by:

	Cash at banks	4 768 453	
	Accounts receivable	1 656 595	6 425 048
Less:	Accounts payable	6 155 545	
	1989 Unliquidated obligations	7 911 896	14 067 441
			(7 642 393)

Annex: Statement of accounting policies

The above Status of Funds Statement and supporting Schedules 1 and 2 are approved:

J.D. Hunt
Deputy Director
Financial and Central
Administrative Services
Department

A. Ahmed
Assistant Director-General
Treasurer and Financial
Comptroller

OPINION OF THE EXTERNAL AUDITOR
TO THE GOVERNING BODY OF THE
INTERNATIONAL LABOUR OFFICE

I have examined the above Status of Funds Statement I and Schedules 1 and 2 of the International Labour Organisation as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1989, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialised Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1989 and the results of the transactions for the period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

8.

I have no observations to make on these Financial Statements.

John Bourn

John Bourn
(Comptroller and Auditor General,
United Kingdom)
External Auditor

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING AS AT 31 DECEMBER 1989 THE STATUS OF FUNDS ADVANCED TO THE FOOD AND AGRICULTURAL ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

GENERAL

1. The Statement and Supporting Schedules relating to the participation of the Food and Agriculture Organization (FAO) in the United Nations Development Programme (UNDP) for the financial period ended 31 December 1989 are in the form prescribed by the UNDP. My audit of these has been carried out in conjunction with my audit of the FAO Regular Programme and subsidiary funds of the Organization. The common account systems have been examined and tested having regard to the work of the Office of Internal Audit, Inspection and Management Control.

2. During the audit of the UNDP Status of Funds Statement for the 1988-89 biennium a number of matters arose which I have drawn to attention in this Report. These matters are losses (paragraph 6); a review of unliquidated obligations at the end of the financial period 1988-89 (paragraphs 7 to 9); and the reconciliation of FAO accounts with UNDP Headquarters' records (paragraphs 10 and 11).

3. Also during the biennium, as part of their continuing review of the FAO's operational activities, my staff examined the arrangements and procedures for the procurement of field equipment and services. This review covered all FAO field activities including those administered on behalf of UNDP. My detailed findings from this review are set out in my Report on the accounts of Food and Agriculture Organization for the 1988-89 biennium. At paragraphs 12 to 21 of this report I include a summary of the main conclusions and recommendations resulting from this review.

4. In addition it is my policy to follow-up the response made to previous External Audit Reports over an appropriate cycle and my staff have therefore reviewed the progress made by the FAO in enhancing the administration of UNDP projects (paragraphs 22 to 35) and on inventory control (paragraphs 36 to 39) on which I made a number of recommendations in 1984-85 and 1986-87.

5. My observations on all the matters contained in this Report, as well as a number of minor questions not reported herein, were communicated to the FAO which has confirmed the facts on which my observations and conclusions are based and has provided explanations and answers to my queries.

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LOSSES ETC

6. I have examined details of compensation payments, losses and writes-off, valued at $569,510 submitted to me by the Director-General in accordance with Financial Regulation 10.4. I am satisfied with the information and explanations which I have obtained about these cases and I have no observations to make.

REVIEW OF UNLIQUIDATED OBLIGATIONS

7. In accordance with UNDP Financial Regulations the FAO accounts include, as unliquidated obligations, those items which may be defined as valid liabilities at the end of the accounting period but for which no payments have yet been made. At my staff's request the FAO carried out a review of unliquidated obligations at the end of 1989 to confirm the validity of the balances disclosed. As a result of this review a total of 251 items previously listed as unliquidated obligations were cancelled.

8. My staff examined the reasons for the cancellations and found that 107 items related to residual balances no longer required. This seemed, to my staff, to stem from delays in carrying out review procedures which should normally have identified these items. I recommend that in future, unliquidated obligations are reviewed more regularly. If unnecessary obligations are retained in the accounting records project expenditure will be overstated until they are subsequently surrendered.

9. My staff noted that in 40 of the 251 cases, items were cancelled because the expenditure which the obligation had been established to cover had been charged directly to the accounting records without clearing the obligation. Under the FAO accounting and budgetary systems a properly authorised obligation represents one of the main expenditure controls. The posting of payments directly to the accounting records weakens the effectiveness of this control. The Organization informed my staff that the new FINSYS computerised accounting system will provide closer control of the charging of amounts, over certain values, to the accounts unless a properly authorised obligation exists.

RECONCILIATION OF FAO ACCOUNTS WITH UNDP HEADQUARTERS RECORDS

10. The Local Resident Representative for UNDP makes payments and maintains accounting records for invoices settled on behalf of the FAO and other Executing Agencies. The Executing Agency records these payments in their accounts, and subsequently the UNDP Headquarters provides each Agency with a monthly statement, detailing all expenditure by their Resident Representatives. The Executing Agency should then reconcile this statement with its own records to ensure that they record only those charges which relate to UNDP projects under their control.

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11. My staff found that reconciliations were not kept up to date between May and December 1989 with the result that there was a cumulative discrepancy of $1.2 million between the FAO and UNDP records at the end of the financial period. The FAO has now reconciled the two sets of records and corrected several coding errors within the former FAO computer system. Had reconciliations been completed regularly discrepancies of this type and magnitude would have been identified and corrected much earlier. To ensure the continuing completeness and accuracy of the FAO records I recommend that reconciliations are carried out on a monthly basis. The Organization informed me that such errors do not exist in the new computer accounting system, FINSYS, which came into operation for the 1990-91 biennium.

PROCUREMENT OF FIELD EQUIPMENT AND SERVICES

Introduction

12. During the 1988-89 financial biennium the FAO's Field Programme expenditure, funded under the Technical Co-operation Programme (TCP), Trust Funds and the UNDP, was $643 million. Of this some $167 million was spent on the purchase of field equipment and related services. The purchase and delivery of equipment to projects are complex operations involving the participation of the Field, FAO Headquarters, other Agencies and private sector manufacturers and suppliers. In determining its general procurement policies the FAO have to take account of the interests of Member Nations, Donors and the recipient Governments.

13. My staff have examined the FAO's procedures for planning equipment inputs to projects and reviewed the two main methods of purchasing. Most purchasing is carried out by the central Purchasing Branch but lower value items can be ordered directly by project staff in the Field. To gain a fuller appreciation of the purchasing process my staff carried out a review of the FAO Headquarters procedures and controls and made visits, in consultation with the FAO, to four countries.

14. My staff concluded that the FAO had a well established procurement system that generally worked effectively. Whilst recognising the need for a flexible approach to purchasing to cater for a wide range of equipment and the many diverse and difficult circumstances under which projects operate, my staff considered that, although several improvements had already been implemented and others envisaged, further enhancements to procedures could be made. The detailed findings of the review are set out in my Report on the accounts of the Food and Agriculture Organization for the 1988-89 biennium. In the following paragraphs I present a summary of the main conclusions from this review.

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Planning

15. Planning equipment requirements is first considered as part of the project formulation stage. Whilst recognising the need for some flexibility in procedures to cope with the wide range of projects, my staff concluded that more attention could be paid to detailed planning of equipment requirements and that such requirements and cost estimates should be kept as up to date as practicable. To build on the FAO's initiatives in this area guidelines could be established to ensure more involvement of procurement expertise, at the outset, in the definition of equipment needs and specifications. The Organization informed me that recently such consultations with Purchasing Branch have taken place and that detailed guidelines for equipment formulation are under preparation and will be issued shortly. In my view such enhancements would lead to more rational and accurate equipment budgets being drawn up and contribute to achieving improved purchasing, with timely delivery of suitable equipment to projects.

Headquarters Purchasing of Field Equipment

16. My staff found that the Purchasing Branch operated effective procedures and controls designed to ensure that equipment purchases were usually subject to full international competitive bidding. Although quality, maintainability and delivery are taken into account in evaluating suppliers' bids price is usually paramount. However, the process is generally long drawn out and there are several areas where improvements could be made:-

(a) in cases where the Field have carried out preliminary technical and cost evaluations in drawing up Purchase Requisitions this information should be passed to the Purchasing Branch so that they can make use of it ;

(b) steps should be taken to produce standard specifications for many categories of ordinary equipment, tailored as necessary to the varying operational circumstances prevailing in different countries. In the case of more specialist equipment I recognise that standardisation is not always possible;

(c) the FAO should explore the possibility of holding more periodic competitions with suppliers to establish longer term and fixed prices for common and regularly ordered units of equipment . Earlier consultations between the Operating Divisions and the Purchasing Branch might assist the latter in identifying future equipment requirements for this purpose; and

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(d) in addition to speeding up the procurement process, the time needed for it should be disseminated widely to allow more realistic planning of lead times.

Field Purchasing

17. My staff were impressed by the efforts made by Field staff to comply with the FAO's purchasing objectives and procedures, and at the same time overcome some of the problems associated with operating in areas of the world where there may not be the infrastructure to support extensive procurement activities. However, they identified several aspects of Field purchasing which could be enhanced:-

(a) there was a need for all projects to have access to more frequent and up to date purchasing data on international suppliers and their equipments ;

(b) for vehicles purchased under the UNDP standardisation scheme run through the Inter Agency Procurement Services Organization (IAPSO), provided the budget appropriation has been approved and funds are available, there could be a higher financial limit for Field purchases made direct from manufacturers;

(c) there was scope for reducing local overhead costs through the greater co-ordination of some purchases; and

(d) the introduction of standard equipment specifications (paragraph 16b) would assist project staff, especially in cases where detailed knowledge of purchasing requirements was not readily available on the project site .

Delivery of Equipment

18. Considerable problems and delays, outside the direct control of the FAO, are often experienced in achieving timely delivery of equipment to project sites. However, my staff considered that opportunities did exist for overcoming some of the difficulties associated with clearing equipment through ports of entry or across the borders of recipient countries. In particular there could be more coordinated efforts at the national level between the FAO and UNDP Representatives. Guidance notes could also be provided on how to deal most effectively with the customs and import procedures operating in different countries. There was also scope for greater coordination between FAO and UNDP representatives.

Purchasing Spares

19. Maintaining and servicing equipment is a key factor in the success of many projects. FAO staff have adopted a variety of approaches to reduce the problems which occur

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in this area. However, two further desirable improvements were identified:-

(a) extending the system of purchasing some important vehicle spares at the time the initial order is placed to other items of equipment; and

(b) the development of spares listings, drawn up by reference either to the supplier or an independent consultant.

Performance Monitoring

20. Although the FAO carry out evaluations of the design, implementation and effectiveness of projects, as well as requiring regular progress Reporting, they do not operate a formal monitoring procedure for assessing the performance and reliability of various equipments. The FAO consider that more detailed monitoring may not be cost effective and that the counterpart Government entities are best suited to monitor equipment performance. However, as equipment is often a key factor in the successful implementation of projects, my staff considered that a simple procedure could be developed by the FAO for collecting more basic data on purchasing and reliability. This could be incorporated into the existing system by which progress on projects is regularly reported. Such information could inform future equipment formulation and tendering decisions.

General

21. The intention of my conclusions and recommendations is to enhance existing procedures and, through them, the efficiency with which equipment is provided for Field projects. I recognise that any redrawing of the balance of responsibilities between the Field and Headquarters is dependent on decisions relating to a wider area than procurement alone. For example the recent FAO Group of Experts' Report on the 'Review of Certain Aspects of FAO's Goals and Operations' recommended strengthening the FAO's Country Representations and various other Field operations which, if implemented, could have an impact on the procurement process.

FOLLOW-UP OF 1986-87 REPORT ON ADMINISTRATION OF UNDP PROJECTS

22. In my Report accompanying the UNDP Financial Statements 1986-87, I made a number of observations and comments on the FAO's administration of UNDP projects and recommended that procedures would be enhanced if the Organization took certain steps in addition to those that were already being taken. It is my policy to follow-up the response made to my previous Reports and therefore my staff have reviewed the progress made and the results are set out in the following paragraphs.

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23. The review was carried out by interviewing FAO staff at Headquarters, examining the procedural changes that have been introduced and the documentation for a sample of projects. Field visits were not undertaken as the review was solely concerned with the formulation and evaluation of projects.

24. In my previous Report I recognised that the Organization have not only to take account of the wishes of UNDP and governments but also the demanding and changing conditions encountered in the Field. In the 1988-89 biennium the FAO expenditure, on behalf of UNDP, including support costs, was some $360 million for around 900 projects.

25. I noted in my previous Report that new improved guidelines for the formulation of UNDP Projects had been introduced in April 1988. My staff examined the documentation for a sample of projects formulated and approved under the revised arrangements and found that the guidelines were generally being followed. In all cases the revised Project Document, incorporating an explicit relationship between objectives, outputs and activities, had been completed and standard work plans produced. However, in two cases the Formulation Framework, which is a systematic analysis undertaken at the outset to identify key issues and major inputs to the project proposal, had not been carried out. The Organization told my staff that the Project Formulation Framework often requires resources which they consider are not always readily available. Furthermore, the Organization indicated that different approaches were taken by individual countries with regard to the requirements for the preparation of a Project Formulation Framework and that once a decision is taken to formulate a project the preparation of the Project Formulation Framework is not always necessary or requested by UNDP.

26. In 1988 I Reported that PROSYS, a computerised system for Headquarters monitoring of Field programmes and projects, was being developed. However, in September 1988, shortly after my Report was published, work on PROSYS was suspended due to financial constraints and the concurrent demands arising from the introduction of the computerised financial and personnel systems, FINSYS and PERSYS; although further enhancements have been made to the PIPELINE Computerised System (PCS) maintained by the Field Programme Development Division. In the interim, two working groups have been set up to review all Field Programme management procedures and information systems, of which PROSYS was to be one. The review of procedures has resulted in the preparation of an action plan, the implementation of which is to be monitored by the Field Programme Committee. However, besides the approval of an overall strategy, little progress appears to have been made towards establishing an integrated information system to monitor and analyse data relating to the Field Programme as a whole. The Organization informed me that

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they have now identified an extra-budgetary source of funding to enable development of the system to get underway again.

27. In my previous Report I commented on a number of procedural problems concerning contract purchasing on those UNDP projects reviewed. I noted that a review of the FAO Manual Section dealing with contract activities had been completed but was under further consideration. The revised Manual Section has yet to be published.

28. In 1988 I Reported on the revised procedures for project monitoring and Reporting which had been developed by UNDP in consultation with executing agencies. This included a move to annual Reporting with Project Directors completing Project Performance Evaluation Reports (PPER). In addition I Reported that the FAO had decided to maintain a simplified six monthly Reporting system in line with the rest of the Organization. At the time of this review there had been an improvement since 1988 in the timeliness of the receipt of Progress Reports. My staff found that in one Department some 90 per cent of projects had returned Progress Reports within one month of the end of the Reporting period.

29. In 1988 I made a number of recommendations for strengthening project evaluation, which involves an assessment of the design, implementation and effectiveness of projects by persons not directly concerned with their formulation or implementation. Of the 166 project evaluation missions undertaken in the biennium, the Evaluation Service took part in 24, which represents an increase over the previous biennium. Whilst there was a shift towards achieving a more even distribution of the Evaluation Service activity between UNDP and Trust Fund Projects, the number carried out on UNDP projects increased to 75 per cent of all project evaluation missions this biennium compared with 71 per cent of the 139 project evaluation missions carried out in the 1986-87 biennium. Whilst I recognise that it is not always up to FAO to decide on UNDP Project evaluations, I have recommended in my Report on the Regular Programme that steps be taken to ensure a more even distribution of all evaluation activity between Trust Funds and other Field Projects.

30. Plans for project evaluations are now regularly prepared by the Operating Units. The Evaluation Service review these plans and draw up, in consultation with the Units, a yearly programme of projects which are to be evaluated with the participation of their staff. For evaluations of programmes, involving a number of projects, the planning and organization is handled by the Evaluation Service. The FAO consider that as project evaluations cover the operational management needs of projects, it is appropriate that the Operations Units coordinate the planning and organization of most project evaluations. I previously recommended that in order to play a more

comprehensive role in drawing up plans for and carrying out evaluations the independent Evaluation Service should be strengthened. At the time of my staff's review the service had a complement of 15 posts of which 10 were Professional posts. Four of the Professional posts (40 per cent) were vacant but steps were being taken to fill them.

31. The Organization told my staff that attempts are being made to improve the quality of evaluation mission reports by setting at the outset clearer Terms of Reference. The Evaluation Service are participating in a training course offered by Personnel Division for National Project Directors who together with FAO project staff, are consulted by evaluation missions. However, I note that the course of Monitoring and Evaluation Techniques for Headquarters staff has been suspended. This decision was taken because the FAO considered that staff would first need training in project formulation work before they could carry out more difficult monitoring and evaluation reviews. The suspension of the course is of concern, as about 86 per cent of evaluation missions in 1988-89 were carried out by non-Evaluation Service staff. The Organization informed me that training in these areas is under review and that resources permitting monitoring and evaluation courses would be resumed.

32. In 1988 I recommended that the Organization should improve the use made of the findings of project evaluations to assist in the management of current projects and improve the formulation and appraisal of project proposals. The Development Department has now designated a liaison point with the Evaluation Service to ensure more feedback on a regular basis. The Organization also pointed out that the procedures for ensuring feedback of evaluation missions to all interested parties are set out in the Director-General's Bulletin on Evaluation (DG 84/28). A summary of the outcome of evaluation missions is also included in the high level biennial review of Field Programmes, coupled with reports on evaluation findings being made to Technical Committees of the Council. However, there is still, in my view, scope to enhance procedures to ensure that comprehensive feedback from all evaluation missions is regularly provided to all appropriate staff in Technical Divisions and Operating Units and that action taken as a result is more closely monitored.

33. In 1988 I reported on the difficulties experienced by national project managers, which frequently delayed project implementation, and recommended steps should be taken to improve training. The identification of training needs of national staff can be considered during project formulation. In addition, the FAO, in cooperation with UNDP, now hold special seminars to meet the needs of National Project Directors. These seminars enable participants to become acquainted with FAO's structure, activities and administrative procedures, and hence equip

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them to formulate, evaluate and implement projects in collaboration with FAO and UNDP staff. Since the seminars commenced 194 National Project Directors have received training. Some 41 FAO and UNDP staff also took part in the seminars which the Organization informed me resulted in positive feedback and a useful exchange of experiences. Since 1989 training materials have been made available in several languages.

34. In conclusion the above paragraphs show how the FAO have successfully applied the revised UNDP Guidelines on project formulation and the improvements in progress reporting. In addition the FAO, in co-operation with UNDP, have taken steps to improve the training of National Project Directors. Some computer development work for improving the Headquarters monitoring of Field Programmes and Projects has been suspended, but the Organization informed me it is now due to continue as an extra-budgetary source of funding has now been identified.

35. In view of the importance of project evaluation I attach considerable weight to the need for a strong and independent Evaluation Service, and recommend that some appropriate training for non-Evaluation Service Staff should be maintained. I also consider that it is important for the FAO to enhance procedures to ensure that the results of evaluation missions are widely disseminated throughout the Organization.

INVENTORY CONTROL SYSTEM

36. An inventory of non-expendable UNDP equipment is maintained at the FAO Headquarters. At 31 December 1989, the inventory was valued at $105.2 million. Items are recorded at cost price and included in expenditure for the biennium in which they were purchased. The value of equipment is not included in the Financial Statements although it is referred to by the Director-General in his Report on the Accounts. On termination of a UNDP project, title to the equipment purchased by the FAO is usually transferred to the Government concerned to provide continued support for the project or programme.

37. In his Report on the 1984-85 UNDP Financial Statements, my predecessor drew attention to the need for revisions and improvements to the FAO's inventory control systems and procedures. In 1988 I reported on the measures the FAO were taking to improve these systems and procedures. In particular I drew attention to the continuing need for improvements in the receipt of year end inventory Reports, the delays in the implementation of a new computerised inventory system and in the revision of sections of the FAO Manual dealing with inventory control procedures. My staff have reviewed the progress made by FAO in these areas during the 1988-89 biennium.

38. For UNDP Projects, 15 per cent of year end inventory Reports for 1988 were outstanding at 30 June 1990 which is

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an improvement over the 60 per cent that were outstanding at a comparable date in 1985 when my predecessor first Reported on this matter. In March 1990 computer programmes to improve on follow-up and control of outstanding inventory reports became available. The FAO have pointed out that the benefits accruing from these programmes will apply to all FAO activities and should facilitate more effective control of year end inventory reports.

39. The FAO's improved computerised inventory system, which is to include UNDP projects, had not been fully developed by the third quarter of 1989, due in part to difficulties in recruiting a key staff member and also to the delay caused by a late decision to use a United Nations Common Coding system now being introduced. The Organization told my staff that the fully developed system will become available to the Organization as of 1 July 1991. The revised Manual Section is ready for publication and will be distributed when the system has been tested and released to users.

ACKNOWLEDGEMENT

40. I wish to record my appreciation for the co-operation and assistance extended by the Director-General and the staff of the FAO during my audit.

John Bourn

JOHN BOURN
(Comptroller and Auditor General
United Kingdom)
External Auditor

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OPINION OF THE EXTERNAL AUDITOR

To: The Conference of the Food and Agriculture Organization

I have examined the following Status of Funds Statement I and Schedules 1 and 2 of the Food and Agriculture Organization as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1989 in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1989 and the results of the operations for the period then ended; that they were prepared in accordance with the Organization's stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

John Bourn

JOHN BOURN
(Comptroller and Auditor General
United Kingdom)
External Auditor

22-1 May 1990

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

Status of Funds as at 31 December 1989
(in US dollars)

Operating Fund	$	$
Balance at 1 January 1988		(17,344,576)
Add: Cash drawings from UNDP	165,298,886	
I O V's	192,921,519	
Other charges/credit (net)	(5,092,201)	
Miscellaneous income and exchange adjustments (net)	(704,013)	
Miscellaneous items refunded to UNDP (net)	55,283	352,479,474
		335,134,898
Less: Expenditure during 1988-1989		
For projects		
Disbursements (Sch. 1)	294,462,137	
Unliquidated obligations (Sch.1)	27,914,075	
For programme support costs (Sch. 1)	41,589,324	363,965,536
Balance at 31 December 1989		(28,830,638)
Represented by:		
Cash at banks, on hand and in-transit (see footnote 1)		8,075,041
Accounts receivable		7,275,335
		15,350,376
Less: Accounts payable	16,266,939	
1988-89 Unliquidated obligations (Sch. 1)	27,914,075	44,181,014
		(28,830,638)

The amounts shown in the statements properly reflect the recorded financial transactions for the period.

Frederic A. Heim
Director, Financial Services Division

APPROVED:

Edouard Saouma
Director-General
18 April 1990

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UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING AS AT 31 DECEMBER 1989 THE STATUS OF FUNDS ADVANCED TO THE UNITED NATIONS EDUCATIONAL, SCIENTIFIC, AND CULTURAL ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

GENERAL

1. The Statement and supporting schedules relating to the participation of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in the United Nations Development Programme (UNDP) are in the format prescribed by UNDP. My audit of them has been carried out in conjunction with my audit of the regular programme and subsidiary funds of UNESCO.

2. During 1988 and 1989, my staff carried out a headquarters based review of the procedures established and followed by UNESCO in respect of its financial administration of UNDP funded projects : projects budgeting procedures, recording of unliquidated obligations and forward commitments, project equipment inventory records and financial completion of projects. The review included an examination of relevant documentation, interviews with staff members and a desk examination of 10 individual projects being administered by UNESCO on behalf of UNDP.

UNDP/UNESCO Project Budgets

3. The UNDP Governing Council, in its decision 89/61, requested a review of the current project budgeting procedures, including in particular the impact of the two-year project budget cycle, introduced for a three-year experimental period beginning 1 July 1987.

Current project budgeting procedures

4. The project budget, as an integral part of the project document, represents the best estimate of expected delivery in terms of phasing and costing of inputs for every year of the project's planned implementation. Agencies are required to ensure that expenditures incurred by them do not exceed the project budgets issued to them, subject to the flexibility provisions explained below. When, on the other hand, significant slippages occur or are expected to occur, Agencies are requested to revise and rephase project budgets, in order to ensure that budgets at all times represent the best estimate of expenditure.

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5. According to current UNDP guidelines on project revisions, the purpose of a project revision is either to modify the design of a project (i.e. to adjust the objective, outputs, activities and/or inputs), to correct the budget, or to do both. The purpose of a project rephasing, which is a type of project revision, is to reflect in the project budget the latest realistic forecast for the delivery of inputs and to reflect actual and revised anticipated costs.

6. These definitions appear to indicate that a budget revision implies an alteration of the budget (increase or decrease), whereas a budget rephasing implies a realignment within the existing budget. As such, revisions would be prompted by occasional substantial changes in anticipated delivery, whereas rephasings mandatory, to be conducted on specific dates. Also, revisions require in principle the signatures of all parties (Government, UNDP and Agency), whereas rephasings require the signature of UNDP and the Executing Agency only.

7. Budget rephasings are to be conducted on three occasions :

- for new projects, within 45 days of the project document signature;
- every year, after the closing of the accounts in March, undelivered amounts are to be rephased to current and future years on the basis of the year-end delivery report : "revisions" must be finalized by 10 June;
- in order to establish plans and budgets for the next and future years, a rephasing of selected projects is to be conducted in October, based on the August delivery reports together with expenditure estimates for the whole year : this exercise should imply a substantive review by project officers : "revisions" are to be approved by UNDP before 1 December.

8. We noted that appropriate instructions were issued as to ensure that UNDP guidelines are adhered to.

9. Projects qualifying for the October rephasing are to be selected by the Executing Agency on the basis of established criteria, providing inter alia that projects for which a budget revision, a substantive review or "other discussions" are pending may be excluded. As a result, this exercise was initiated for only 10 per cent of the ongoing projects.

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10. Draft revisions/rephasings are to be prepared by the Agency for approval by UNDP. As extensive consultation is required (Agency's and UNDP's Headquarters and Field Offices, as well as Governments), deadlines for approval often appear difficult to meet. We noted that only a few "October rephasing" approvals were notified to UNESCO before 31 December 1989.

11. Since the introduction of the two-year project budget cycle, largely increasing the budgetary flexibility, the absolute necessity to pre-estimate the current and future years' expected delivery as accurately as possible has become less important.

12. In conclusion, we therefore think that :

- the UNDP guidelines on project budgeting could be clarified, in particular the budget revision and rephasing instructions;
- the October rephasing exercise should be reevaluated bearing in the mind the rather vague relevant instructions, its limited impact and its reduced usefulness.

Two-year project budget cycle

13. Up until 1987, project expenditure could be incurred up to the annual budget figure, as adjusted by a limited flexibility measure : excess expenditure was not to exceed the budgeted amount by $ 20,000 or 4 per cent of the annual project budget.

14. The two-year project budget cycle was introduced for a three-year experimental period beginning 1 July 1987 in an effort to overcome the operational difficulties attributed to the rigid annualization of project budgets, notably a distortion in the work pattern as project implementation was held up during the early part of the year, awaiting the annual resource rephasing exercise initiated in March, after the closing of the yearly accounts.

15. Under this concept, project budgets continue to be formulated on the basis of annual segments, but the flexibility between these segments is increased : for the purpose of incurring obligations, budgets are considered to be available for a two-year period as follows :

i) the unspent balance of the prior year's resources is immediately available for use in the current year;

ii) up to 20 per cent of the following year's resources may be used for inputs advanced to the current year.

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16. This increased budgetary flexibility was expected to produce :

i) an even distribution of procurement during the year;
ii) a more realistic formulation of project budgets by the Executing Agencies;
iii) increased delivery through better planning, control and execution of projects.

17. At UNESCO, limited use was made of the flexibility for the advancing of inputs (7 requests in 1988, 14 requests in 1989); automatic carry-over of unspent funds was effected in about 80 per cent of the projects. Apparently, a clarification is needed as to whether this procedure can imply the automatic extension of projects schedules for completion during the year.

18. A significant improvement was noted in respect of procurement action, as purchase orders could be placed earlier, and consequently more evenly over the year. Last quarter orders placed decreased from over 50 per cent to 39 per cent in 1989. During 1988 and 1989, the equipment component delivery rate was higher for UNDP-financed projects than for other UN-financed projects. Further improvement however depends on the timely production of lists of equipment to be ordered. At 30 June 1989, requisitions for 60 per cent of the annual equipment budget were still not received by the Procurement Division.

19. Overall project implementation, as measured against funds allocated, has been disappointing since the increase in delivery has not matched the increase in allocations. The delivery rate for UNDP-financed projects has dropped from 77 per cent in 1986, to 75 per cent in 1987, 73 per cent in 1988 and 71 per cent in 1989, remaining every year below the average implementation rate for UN-financed projects. The Administration explained that the recent downward trend may be attributed to the very low rate of project budgets rephased at year-end, and observed that delivery in absolute terms has increased.

20. From the 1989 Budgetary Status Report on extra-budgetary operational projects, it appears that the implementation rate for new UNDP-financed projects, with first allotments issued and/or operations recorded in 1989, amounted to 50 per cent only. Out of 56 new projects, 11 projects had no reported delivery at all in 1989. We therefore think that projects, as prepared by UNESCO, continue to reflect an optimistic bias regarding the phasing of inputs, especially in the first year of operation.
In this respect, the Administration replied that the majority of new projects had been signed in the last quarter of the year. Furthermore the initial rephasing exercise, within 45 days of the project document signature, had not been conducted systematically.

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21. UNESCO identified a number of benefits deriving from the application of the two-year project budget cycle : greater expenditure flexibility without detriment to budgetary control, improved budgetary and programme planning, economies of time, energy and money by the reduction of the number of requests for approval of transfer of funds between annual segments, and improved delivery in the first half of the year. The Administration considers the two-year budgeting concept as a most useful management tool in ensuring that project operations are conducted in accordance with the optimum operational requirements of each project.

22. In conclusion, we agree that the experience gained so far with the two-year project budget cycle appears to be positive, particularly with regard to the equipment delivery process and to the alleviation of the budget rephasing procedures. The concept provides a modern management tool reconciling increased budget flexibility with appropriate budgetary control. On the other hand, its impact on overall project implementation and on project budget design is difficult to measure, and remains to be followed up.

Accounting for unliquidated obligations

23. The Panel of External Auditors of the United Nations Organizations recommended at its November 1988 meeting to carry out a review of the nature and extent of the possible abuses in the recording of unliquidated obligations and report back next year. It also requested an analysis of the savings realised on liquidation of prior year's obligations.

24. Since 1986, UNDP guidelines specifying the applicable accounting policy by expenditure components are sent to executing agencies yearly. The criteria for recording and reporting unliquidated obligations establish two basic conditions for the validity of an obligation : a firm contractual agreement, and delivery during the current year. A major exception is made in respect of equipment : obligations are to be recorded on the basis of purchase orders issued, irrespective of the actual date of delivery.
Subcontracts are to be recorded on the basis of payments scheduled for the current year. Commitments entered into against future years' project budgets are to be recorded as forward commitments.

25. The possibility of unliquidated obligations recorded at year-end being overstated was derived from the fact that savings realized system-wide on liquidation of these obligations in the following year amounted to 20 per cent in 1987 and to 17 per cent in 1988. As the savings rate indicates the extent to which the amount of recorded obligations proved to be higher than actually needed, this rate should be kept as low as possible.

26. At UNESCO, disbursements during the following year averaged 74.8 per cent of unliquidated obligations over the period 1986 tot 1989; the savings rate on liquidation amounted to 13.6 per cent and the unliquidated balance represented on average 11.6 per cent of prior year's unliquidated obligations.
The savings rate of 13.6 per cent compares favorably to the rate realized system-wide, and is an indication of the effort made to report expenditure as accurately as possible.

27. In order to ensure their correct application these guidelines are communicated to certifying officers at year-end. We noted that certifying officers were reminded to consider setting up obligations in respect of personnel services, other than national and international experts, and of the miscellaneous component, up to the budget limit and on condition that a real liability existed and that funds had been provided in the project budget. The reason invoked was the improbability of processing all Inter-Office vouchers and field imprest account expenditure in time to be included in the project accounts.

28. An automatic control procedure prevents the cancellation of valid prior year's obligations and the subsequent re-obligation of funds for the same commitment. Only specific funds no longer required may revert to the project budget. In our sample of project expenditure reviewed, we however noted two cancellations of a valid obligation. A new procedure has now been instituted, requiring substantiation of the requests for contract cancellations.

29. We also noted that the accounting procedure in respect of accounts payable has been further improved, as all unliquidated obligations are henceforth retained in a budgetary - controlled account, for a maximum of three years, and subject to unequivocable substantiation of their validity.

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30. From our review of project expenditure recorded, it appeared that the validity criteria for recording and reporting unliquidated obligations at year-end were generally well respected. Reductions or cancellations of obligations were effected to the extent feasible, on a case-by-case basis. The heavy administrative implications, such as the necessary authorizations, correspondance and budget rephasings, and the uncertainty as to the exact amount of expenditure incurred in the field seem to preclude a systematic reduction or cancellation of outstanding obligations.

31. With regard to the apparently inconsistent charging of subcontracts to the appropriate budget line, it was explained that project elements implemented by private contractors are to be charged against the subcontracts budget, whereas items implemented by Organizations or Agencies are in principle to be charged against other budget lines.

32. In conclusion, no systematic abuses in the recording and reporting of unliquidated obligations were to be noted. The accounting system in place is designed to prevent the cancellation of valid obligations and their subsequent re-obligation.

Accounting for forward commitments

33. Commitments or parts of commitments, entered into against future years project budgets and scheduled for delivery in future years, are to be recorded as forward commitments. These are not included in the financial statements, but are controlled through seperate project accounting records. A summary of these records is reported yearly to UNDP.

34. At UNESCO, forward commitments reported amounted to $ 1,660,488 at 31 December 1988 and to $ 1,803,221 at 31 December 1989.

35. The procedure for charging expenditure items covering two or more calendar years, known as the annualization of obligations, is integrated in the budgetary control system. The relevant administrative instructions *inter alia* stipulate that, for experts and locally recruited staff, funds will be reserved by computerized action, including the preliminary cost estimates for the entire duration of the contract.

36. In this respect it was noted that the forward commitments reported at year-end do not include any commitment relating to experts and locally recruited staff. Apparently the instructions concerning the annualization of obligations for project personnel are not applied to UNDP projects.

37. In respect of other expenditure, only the unexpired portions of fellowships awarded seem to be recorded systematically. This item constitutes over 50 per cent of the amount of forward commitments reported. Other forward commitments incurred are recorded only occasionally. Therefore, the amounts reported at year-end 1988 and 1989 largely underestimate the amount of forward commitments incurred.

38. It is therefore recommended that :

- the necessary steps be taken to ensure that the unexpired portions of staff contracts are duly taken into account as forward commitments;
- the instructions for recording annualized obligations for all other expenditure components be reminded to certifying officers.

Project Equipment Inventory Records

39. Agencies executing UNDP financed projects are expected to maintain a detailed inventory for all non-expendable equipment provided by UNDP. An updated listing showing current-year additions to inventory is to be sent to UNDP every year. Such listings should include, per project, an item-by-item description and valuation in both local and dollar-equivalent currencies, an assessment of the condition and usefulness of the equipment, and a certification by the Government and the Agency on the basis of physical inventory of stocks as of 31 December. Non-expendable equipment includes items of a value of $ 400 or more, with a serviceable life expectancy of at least five years, and items of a sensitive nature or particularly liable to theft.

40. At UNESCO, the responsability for maintaining an up-to-date inventory register of equipment supplied is entrusted to the Bureau of the Comptroller (BOC), which initiates the annual inventory checks. To this effect, BOC is to send the project inventory to the field project manager by 30 April. The project manager is to certify whether the project equipment listed is on site, and is to provide information on the condition and utilization of the equipment. A list of non-expendable equipment purchased locally is to be sent to BOC during the last quarter of the year.

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41. During 1989 and 1990 to date no project equipment inventories have been forwarded to project sites, except on an individual project basis, where special requests have been honored, and in all cases where transfer of equipment was taking place on termination of a project.

42. The Administration replied that both the 1988 and 1989 inventories were being finalized and would be dispatched in July 1990. The recent delays were attributed to a ten month vacancy of the related post and the resulting back log in inventory processing. The inventory records are updated working from the project accounts. As non-expendable equipment is frequently charged to the expendable equipment budget and vice versa, the exercise is very time-consuming. Also, in the case of equipment purchased locally (and charged by IOV), supporting documents have to be traced.

Financial completion of projects

43. According to the relevant UNDP guidelines, projects are to be financially completed within 12 months after their operational completion. Within that period, the Executing Agency is required to identify all financial obligations chargeable to the project, to close the project accounts and to issue a final project budget revision.

44. With respect to the financial transactions against financially completed projects, it is stipulated that "neither debits nor credits can be made to a financially completed project" (UNDP Programme and Projects Manual Item 30.107/6.1).

45. According to UNDP financial Rule 110.6 (a) "savings/deficits on the liquidation of obligations charged to financially completed projects shall be credited/charged to the UNDP Account under miscellaneous income". This needs clearer interpretation as the financial completion of a project presupposes completion of all financial transactions including the liquidation of obligations existing at the time of operational completion.

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46. At UNESCO, a distinction is made between "financially completed" projects and "financially completed and closed" projects. A project is assigned the status "financially completed" on signature of the final revision by all parties. It is "closed" after all financial transactions have been completed and recorded including the liquidation of all obligations. The former category appears in the detailed allotment ledger accounts during the year of financial completion, so that expenditure incurred up to the date of the conclusion of the final revision could be included in the Project Delivery Reports. This procedure, however, contains the risk of refunds or disbursements on the concerned project being recorded in the project account, instead of the miscellaneous income, until the project is treated "financially completed and closed" the following year.

47. The "financially completed and closed" projects continue to be listed in the allotments ledger summary until they are removed from the records by the Data Processing Services on specific request from the Bureau of Budget, after examination and clearance by the BOC in regard to the completion of all financial transactions including liquidation of obligations. A large number of such projects which appeared in the allotment ledger summaries at the end of 1989 have been removed from the database as of the beginning of 1990.

48. During our discussions, we were informed that a procedure has been agreed to effect the closure of the projects simultaneously with their financial completion and removal of the financially closed projects from the ledger summaries on an annual basis.

Summary of findings and conclusions

49. UNESCO issues appropriate instructions to ensure that current UNDP guidelines on project budgeting are adhered to. The experimental two-year project budget cycle was introduced with encouraging results. A number of project budgets continue to reflect an optimistic bias regarding the initial phasing of inputs. The rate of initial project rephasings and of year-end rephasings is very low : these procedures should be evaluated in their relation with the increased budgetary flexibility measures.

50. The validity criteria for the recording and reporting of unliquidated obligations are generally respected. The accounting system in place is designed to prevent a systematic abuse of these criteria.

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51. The recording and reporting of forward commitments needs to be improved, especially with regard to project personnel costs.

52. The recent backlog in project inventory processing is being resolved.

53. The UNESCO accounting procedures with respect to financially completed projects have been revised in line with the relevant UNDP instructions.

Acknowledgement

54. I wish to record my appreciation for the co-operation and assistance extended by the officers of the Organization.

Jeroom L.E. VAN de VELDE.

Senior President of the
Court of Audit, Belgium.

External Auditor.

Statement I

UNITED NATIONS DEVELOPMENT PROGRAMME
(Participating and Executing Agency: Unesco)
Status of Funds for the two-year period ended 31 December 1989
(Expressed in US dollars)

Operating Fund		
Balance at 1 January 1988 (Note 5)		(4,832,608)
Add:		
Cash drawings from UNDP	34,013,000	
IOVs	45,732,799	
Other charges/credit (net)	(11,302,738)	
Miscellaneous income and exchange adjustments net (Note 4)	(181,305)	
Miscellaneous items refunded to UNDP net (Note 4)	111,932	
		68,373,688
		63,541,080
Less:		
Expenditure during 1988/1989		
For projects		
Disbursements (Schedule 1)	51,852,619	
Unliquidated obligations (Schedule 1)	10,751,937	
For programme support costs (Schedule 1)	8,057,138	
		70,661,694
Balance at 31 December 1989		(7,120,614)
Represented by:		
Cash at banks and accounts	1,730,776	
Accounts receivable (Note 3 (i))	5,528,258	
		7,259,034
Less:		
Accounts payable (Note 3 (ii))	3,627,711	
1989 Unliquidated obligations (Schedule 1)	10,751,937	
		14,379,648
		(7,120,614)

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CERTIFICATION OF FINANCIAL STATEMENTS

The appended Status of Funds Statement I and Schedules 1 and 2 are

Certified correct	Approved
D.C. Daly Comptroller	Federico Mayor Director-General

AUDIT OPINION

The appended Status of Funds Statement and supporting Schedules for the two-year period ended 31 December 1989 have been examined in accordance with my directives. As a result of the examination, I am of the opinion that the Statement and Schedules fairly present the financial position at 31 December 1989 and the results of the transactions for the period then ended.

Brussels, 27 April 1990

Jeroom L.E. Van de Velde
Senior President of the
Court of Audit, Belgium

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INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME

Notes to the Statement of the Status of Funds

(Statement IX)

31 December 1989

1. Nature of Activities

Under the United Nations Development Programme (UNDP), the execution of projects related to civil aviation, financed by UNDP, is delegated to the International Civil Aviation Organization (ICAO).

2. Significant Accounting Policies

(a) Method of Accounting

The Statement of the Status of Funds has been prepared in accordance with the format and directives prescribed by UNDP. The accounts of ICAO are recorded in United States dollars. Transactions and account balances in other currencies are converted into United States dollars at the United Nations operational rates of exchange.

(b) Expenditure for Projects

Expenditure includes disbursements and unliquidated obligations for which funds have been provided in approved project budgets in the current year. Expenditure is accounted for as follows:

- for experts:	on the basis of services rendered to the end of the year;
- for equipment:	on the basis of purchase orders or signed contractual agreements issued to the end of the year;
- for training:	on the basis of the costs incurred for fellowships to the end of the year;
- for sub-contracts:	on the basis of the payment schedule included in the contract with the sub-contractor;
- for miscellaneous:	on the basis of issuance of authorization to pay for miscellaneous goods or services delivered or for which firm orders have been placed for delivery in the current year.

(c) Programme Support Costs

Programme support costs are calculated on project expenditure on a basis determined by UNDP.

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AUDIT OPINION

To the Assembly
International Civil Aviation Organization

I have examined the Statements of the Status of Funds of the International Civil Aviation Organization as Executing Agency of the United Nations Development Programme, Statements IX and X and relevant schedules, for the financial period ended 31 December 1989. My examination was made in accordance with generally accepted auditing standards, conforming with internationally recognized auditing guidelines and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, and accordingly included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of the examination, I am of the opinion that these Statements of the Status of Funds properly reflect the recorded financial transactions for the financial period, which transactions were, in all significant respects, in accordance with the Financial Regulations and Rules of the United Nations Development Programme and legislative authority, and present fairly the financial position as at 31 December 1989, in conformity with the accounting policies described in Note 2 to the Statements applied on a basis consistent with that of the preceding financial period.

Kenneth M. Dye, F.C.A.
(Auditor General of Canada)
External Auditor

Ottawa, Canada
15 May 1990

STATEMENT IX

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME

STATEMENT OF THE STATUS OF FUNDS

AS AT 31 DECEMBER 1989

(in United States dollars)

	1989		1988	
OPERATION FUND				
Balance at beginning of year		(9 376 554)		(1 753 857)
Add:				
Cash drawings from UNDP	30 505 861		23 950 000	
Inter-office vouchers	11 741 459		11 325 848	
Other charges/credits (net)	63 204		127 177	
Miscellaneous income and exchange adjustments	42 514		255 452	
Miscellaneous items to be refunded to UNDP	3 436	42 356 474	5 376	35 663 853
		32 979 920		33 909 996
Deduct:				
Expenditure during the year (Schedules H,I,J)				
For projects				
Disbursements	27 245 121		27 224 419	
Unliquidated obligations	8 999 046		11 310 519	
For programme support costs	4 579 777	40 823 944	4 801 111	43 336 049
		(7 844 024)		(9 426 053)
Add:				
Adjustment to prior year's programme support costs				49 499
Balance at end of year		(7 844 024)		(9 376 554)
REPRESENTED BY				
Cash in banks, on hand and in transit		2 377 545		1 502 158
Due from other Funds				
AOSC Fund	645 137		52 447	
ICAO General Fund	276 756		111 960	
ICAO Other Funds	15 522		2 084	
Governments' Trust Fund accounts	329 773		214 331	
UNDP Administered Trust Funds	31 772	1 298 960	62 736	443 558
Accounts receivable and sundry debit balances		1 659 019		1 620 035
		5 335 524		3 565 751
Less:				
Due to other Funds				
ICAO Other Funds			19 681	
Governments' Trust Fund accounts	211 018	211 018	59 176	78 857
Accounts payable and sundry credit balances		3 969 484		1 552 929
Unliquidated obligations - current year		8 999 046		11 310 519
		13 179 548		12 942 305
		(7 844 024)		(9 376 554)

Certified correct:

S. Miyazaki
Chief, Finance Branch

Approved:

S. S. Sidhu
Secretary General

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UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD HEALTH ORGANIZATION

Statement I

Status of funds for the financial period 1 January 1988 - 31 December 1989

(expressed in US dollars)

OPERATING FUND

Balance at 1 January 1988			(1 493 078)
Add: Cash drawings from UNDP			36 164 276
Inter-office vouchers			12 183 425
Other charges (net)			(3 658 698)
Miscellaneous income and exchange adjustments (net) .			(70 215)
Miscellaneous items refunded to UNDP (net)			53 212
			43 178 922
Deduct: Expenditure during 1988-1989 (Schedule 1)			
For projects (Schedule 2)			
Disbursements	31 928 488		
Unliquidated obligations	8 535 057	40 463 545	
For programme support costs		4 599 380	45 062 925
Balance at 31 December 1989			(1 884 003)

Annex: Statement of accounting policies.

The above status of funds statement and supporting schedules 1 and 2 are approved.

John E. Morgan
Chief, Accounts

Edward E. Uhde
Director, Budget and Finance

OPINION OF THE EXTERNAL AUDITOR

To the World Health Assembly

I have examined the above Status of Funds Statement I and Schedules 1 and 2 of the World Health Organization as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1989, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1989 and the results of the transactions for the period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

I have no observations to make on these financial statements.

John Bourn

John Bourn
(Comptroller and Auditor General, United Kingdom)
External Auditor

/...

1801 K Street, N.W.
Washington, DC 20006

Telephone 202 833 7932

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

May 4, 1990

To the International Bank for Reconstruction
and Development and the Board of Auditors
of the United Nations

We have audited the accompanying statements of Status of Funds (Statement I), Expenditures by Source of Funds (Statement II) and Expenditures (Statement III) for certain United Nations Development Programme projects for which the International Bank for Reconstruction and Development (the Bank) acts as Executing Agency for the year ended December 31, 1989. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements audited by us present fairly, in all material respects, the status of funds and expenditures of the International Bank for Reconstruction and Development as Executing Agency for certain United Nations Development Programme projects as of December 31, 1989 and for the year then ended, on the basis of accounting described in Note 2.

This report is intended soley for the International Bank for Reconstruction and Development for filing with the United Nations Development Programme and other interested parties and should not be used for any other purpose.

Price Waterhouse

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THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS EXECUTING AGENCY FOR CERTAIN UNITED NATIONS DEVELOPMENT PROGRAMME PROJECTS

REPORT ON THE NATURE AND SCOPE OF AUDIT AND OTHER SERVICES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 1989

NATURE AND SCOPE OF AUDIT SERVICES PERFORMED

Report Considerations

We have completed our audit of the financial statements for certain United Nations Development Programme (UNDP) projects for which the International Bank for Reconstruction and Development (the World Bank) acts as Executing Agency (hereafter referred to as "the UNDP projects"). As a result of our audit, we are of the opinion that such financial statements present fairly, in all material respects, the status of funds and expenditures of the organization for the year ended December 31, 1989 on the basis of accounting discussed below. Accordingly, we issued our audit report dated May 4, 1990 on these financial statements.

Our audit report on the 1989 UNDP project financial statements constitutes a special report which conforms with Statement on Auditing Standards No. 62 issued by the American Institute of Certified Public Accountants for financial statements prepared on a basis of accounting prescribed by a regulatory agency solely for filing with that agency. Our report is appropriate as the United Nations requires the World Bank to utilize the accounting practices (described below) which differ from generally accepted accounting principles.

We noted no significant differences in the financial statement format, or any significant changes in accounting procedures from the prior year. In accordance with the instructions received from the UNDP, the Bank has used the delivery method to account for all transactions. Under the delivery method, expenditures are recorded as services are performed or as goods are received, except those related to equipment purchases, which have been accounted for under the commitment method which requires that obligations be accrued on the basis of purchase orders.

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We conducted our 1989 audit in accordance with generally accepted auditing standards. These standards require that we: (a) perform a study and evaluation of the existing internal controls to determine the extent to which we can rely on the controls to provide assurance as to the validity of the recorded transactions or balances, and (b) obtain sufficient competent evidential matter through inspection of the accounting records and underlying documentation, observation, inquiries, analytical reviews and confirmations to afford a reasonable basis for an opinion regarding the financial statements.

The World Bank utilizes many of its own personnel and the procedures (including automated systems) to process the accounting information for the UNDP projects. Examples include bank reconciliation personnel and the procedures they perform. Since these procedures and the related controls were tested to our satisfaction during our audit of the World Bank, our scope of testing on the UNDP projects has been adjusted appropriately in order to minimize fees and duplication of effort.

Consideration of the Internal Control Structure

In planning and performing our 1989 audit of the financial statements of the UNDP projects, we considered the World Bank's internal control structure underlying such financial statements in order to determine our auditing procedures for the purpose of expressing our opinion on financial statements of the UNDP projects and not to provide assurance on the internal control structure. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Our consideration of the World Bank's internal control structure underlying the financial statements for the UNDP projects was more limited than would be necessary to express an opinion on the internal control structure taken as a whole.

The management of the World Bank is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with UNDP accounting policies and procedures.

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As a result of our consideration of the internal control structure we noted certain matters involving the internal control structure that we considered to be "Reportable Conditions" under the standards established by the American Institute of Certified Public Accountants. These matters have been summarized below. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Bank's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We have provided a separate report to World Bank management summarizing our recommendations.

We view the World Bank's Internal Auditing Department (IAD) as a significant factor in the system of internal accounting control. Through our review of IAD's work program, audit reports and other meetings and discussions with IAD personnel, we have developed a basis for reliance on their work. We continue to coordinate our work with IAD to the extent possible in order to avoid unnecessary duplication of effort.

Reportable Conditions

During the course of our audit work, the following reportable conditions were noted:

- Review procedures surrounding recording of project allocations to the general ledger should be strengthened.

  We noted several errors in the recording of budget revisions to the general ledger. Since UNDP format specifies that the fund balance will be increased by actual cash drawings, not by allocations to projects, these errors had no financial statement impact. However, the errors raised questions regarding the integrity of the Bank's data base containing budget information.

  It is our understanding that the Bank's management has taken steps to address this condition.

- Establish clear responsibility for and strengthen procedures surrounding the production of accurate monthly Project Delivery Reports (PDR's).

  The Bank's project staff often have difficulty managing project expenditures due to the low quality of information contained in the monthly PDR provided to them by the Trust Funds Division. Problems with the quality of these reports have included: (1) slow posting of disbursements, (2) mispostings of disbursement to incorrect budget lines and (3) inclusion of erroneous figures within these reports.

  It is our understanding that the departments involved have established a dialogue in order to alleviate these problems.

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Audit Approach by Audit Area

Cash

At December 31, 1989, there were approximately 17 cash accounts that the World Bank maintained for administering UNDP projects located around the world. Our audit effort in this area centered around confirmation and reconciliation of these accounts. Accounts were confirmed on both a stratified (6 largest accounts) and a rotational basis so that 6 of the bank accounts and 97% of the total dollar balance was circularized. Year-end testing of the bank reconciliations for all accounts selected was also performed and consisted of the following procedures:

- Comparison of bank balance per each reconciliation with the balance confirmed by the bank.
- Agreement of the book balance per the reconciliation to the general ledger.
- Agreement of any deposits in transit to deposits reported on January bank statements.
- Examination of ledger credits shown as outstanding at December 31, 1989 per the reconciliation, noting in all cases that these were subsequently debited by the bank.
- Recalculation of the translation of funds expressed in currencies other than U.S. dollars, into U.S. dollars at year-end based on the exchange rates supplied by the UNDP.
- Investigation of all significant reconciling items.

For cash drawings, we performed detail testing including the recalculation of gain or loss on exchange on remittances selected on a systematic basis. Items listed as cash in-transit were tested by reviewing subsequent receipts.

Accounts Receivable and Other Assets

We reviewed account balances at year-end for all significant balances through a combination of analytical review procedures, observation of subsequent receipts and review of supporting documentation which included tracing of corresponding balances from the vouchers to subsidiary ledgers and vice-versa.

Accounts Payable and Unliquidated Obligations

We reviewed all accruals at December 31, 1989 which exceeded $100,000 for projects and $25,000 for associated agency accruals. Our testing included the review of supporting documentation (review of invoices for those that were still unpaid at the date of our examination).

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The reasonableness of residual commitments was determined through discussions with the appropriate project coordinators and review of supporting documentation and payment schedules. Furthermore, we related our review of this component to both our subsequent events review and our search for unrecorded liabilities through our report date.

On an aggregate basis, payables to the World Bank were matched to respective receivables on the World Bank's books at December 31, 1989.

Allocations

The UNDP makes contributions, or authorizes them to be made, toward the cost of projects. Allocations are recorded in the accounts on the basis of written notification from the UNDP. For all new projects with current year allocations in excess of $700,000, we performed the following audit procedures:

- Agreement of allocations to project documents and other budget related documentation and correspondence maintained by project coordinators.
- Review of proper approval on all project documents and budget revisions of both UNDP and World Bank officials.
- Inquiry of project coordinators regarding the nature, status and other relevant information surrounding each project.

For all existing projects which had an increase or a decrease in allocations during the current year from the prior year in excess of $1,000,000, we performed the following audit procedures:

- Agreement of the reported increase or decrease to project and other budget related documents and to other relevant correspondence maintained by project coordinators.
- Inquiry of project coordinators on the status of each selected project.
- Review of approval on all project documents and budget revisions by both UNDP and Bank officials.
- Agreement of allocations and disbursements to subsidiary ledgers.

The reportable condition regarding project allocations, as summarized in the "Reportable Conditions" section, was noted as a result of these procedures.

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Government counterpart contributions were summarized and tested as considered necessary. These contributions are made directly through the UNDP. Direct deposits were tested in connection with our cash testing and contributions made through UNDP were tested along with the other allocations.

Disbursements

We expend a significant amount of audit effort in this area due to the complexity of the disbursement system used in connection with UNDP projects at The World Bank. Disbursements are also material to the financial statements. We performed extensive testing to establish whether internal controls could be relied on for audit testing. We statistically selected 45 disbursement vouchers for key attribute testing. Our selection was randomly performed using the following parameters: maximum tolerable deviation rate of 5% and an allowable risk of incorrect acceptance of 10% for a population size of 4,232 vouchers. For each voucher, the following audit procedures were performed:

- Review for proper support, appropriate approval and correct distribution by project and general ledger account.
- Recalculation of the translation into U.S. dollars for those vouchers disbursed in currencies other than U.S. dollars.

We selected all UNDP projects which had current year disbursements in excess of $500,000 (or U.S. dollars equivalent) for comparison to budget. The following audit procedure was performed:

- Comparison of total budget and allocations to the sum of prior and current years' disbursements, obtaining explanations for any overruns noted.

  Note that this procedure supported our findings regarding the reportable condition in the allocations area.

We also reviewed the World Bank's computation of agency overhead cost (which is generally based on 11% of actual disbursements) noting that only the appropriate disbursements were charged with overhead.

We also tested the World Bank's Summarization of Expenditures by Country report (the "summarization"), by performing the following procedures:

- Preparing a schedule grouping allocations, disbursements and accruals by project and country for the year, and agreeing total disbursements for each country, less total accruals, to disbursement amounts per the UNDP projects listing, and total accruals for each country to unliquidated obligations per the UNDP listing. This summarization appears in the 1989 financial statements covered by our report.

/...

General

Additionally, we performed the following audit procedures:

- Confirmation of the balances per the final UNDP Operating Fund Statement (OFS) from the UNDP.

- Review of the reconciliation of the final OFS statement to the general ledger and review of all reconciling items with appropriate World Bank accounting and finance officials.

- Obtainment of a representation letter from World Bank Trust Fund management and inquiry of management regarding their responsibility for the fair presentation of the financial statements.

- Performance of a subsequent events review through our report date.

- Review of correspondence between the World Bank and the UNDP that might have financial statement significance.

- Performance of a variance analysis of each line item of the financial statements; and

- Review of the financial statements for the UNDP projects at December 31, 1989 for proper presentation and disclosure.

OTHER SERVICES PROVIDED

Review of Selected Projects

In addition to the work performed in connection with the UNDP audit, we reviewed a selection of six UNDP projects administered by the World Bank in order to determine whether:

1) The World Bank's procurement procedures were followed;

2) Project progress reports were submitted to UNDP on a timely basis;

3) The World Bank's follow-up procedures in connection with problems noted in the progress reports were adequate;

4) Project expenditures were within budgeted amounts; and

5) Project was progressing as planned.

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The projects selected for review were chosen from Africa. Our selection is designed to ensure that different projects are evaluated from year to year. Our review included detailed discussions with the World Bank's project staff located in Washington, D.C. responsible for the UNDP projects. We also reviewed the project files including project documents and related correspondence.

The projects selected for review are RAF/86/037, Regional, Assessment of Social Dimensions of Structural Adjustment in Sub-Saharan Africa; RAF/85/022, Regional, Africa Project Development Facility; UGA/87/008, Uganda, Assistance to Economic Planning and Aid Coordination; NIR/87/011, Nigeria, Rural Water Supply and Sanitation; KEN/84/009, Kenya, Assistance to the Ministries of Finance and Planning and National Development; COI/88/008, Comoro Islands, Agricultural Strategy Study. The results of our review are summarized in the following sections.

Modification Of Planned Approach

In our 1987 report and in subsequent correspondence with UNDP, we indicated that we anticipated performing several on-site reviews of UNDP financed projects as administered by the World Bank. We had agreed to perform such site visits to evaluate managerial and operational efficiency, resulting effects on delivery, corrective actions, and additionally to provide comments of an overall nature concerning the management of UNDP projects. Accordingly, our selection of projects for review was made in anticipation of ultimately visiting the same Africa projects on-site.

Subsequently, based on discussions with the IAD and the Trust Funds Division regarding the nature and scope of our involvement in connection with the on-site reviews, we agreed to postpone any visits by us to consulting contractors and/or project locations. This decision was consistent with prior years due to the apparent duplication of effort that our involvement in on-site reviews would have implied considering the IAD work in this area. In this regard, we believe that the UNDP and the World Bank should agree on the nature and scope of the involvement that is expected from external auditors in connection with the performance of on-site reviews. We also wish to express our willingness to participate in the determining an appropriate on-site work program.

Review of Procurement Procedures

All of the six projects reviewed included procurement of either consultants, experts/fellowships and/or equipment. In all of the projects reviewed the procurement procedures noted were in accordance with the World Bank's guidelines or deviations were explained to our satisfaction.

/...

In the projects involving the procurement of consultants, these guidelines include the establishment of selection criteria and a selection committee, the preparation of a list of qualified consultants with an adequate letter of invitation sent to each firm, the review of all proposals submitted, and the negotiation of a final contract. In projects involving the procurement of experts/fellowships, the guidelines include the selection and approval of the expert/ fellowship by the country and the World Bank. In projects involving the procurement of equipment, the guidelines include the use of competitive bidding or the use of the World Bank's procurement department.

Review of Progress Reports

Three of the six projects reviewed reported progress in the standard UNDP format. Of the remaining three projects, two reported progress in a different format but according to the required timetable. The third project, a study, did not submit progress reports due to the nature of the output.

Review of Problem Follow-up

In the projects where problems were noted in the progress reports the follow-up procedures performed by the World Bank appeared to be adequate. The World Bank had taken steps to address the problem noted in the progress report. No problems of significance were noted that would threaten the continuation of the project.

Review of Budgets

In all cases, actual cumulative expenditures fell within total project budgeted expenditures (original or revised), however, in two cases we noted that current year expenditures exceeded the budgeted expenditures for 1989.

Project Findings

RAF/86/037 - Regional, Assessment of Social Dimensions of Structural Adjustment in Sub-Saharan Africa

- o Consultants have been retained and equipment procured within World Bank guidelines;
- o Only one progress report in UNDP format was submitted, however subsequent progress reports have been submitted in accordance with the required timetable, though in a different format;

- Cumulative expenditures are within the total project budget, however, expenditures for 1989 exceeded budgeted expenditures for the year; and,

- The project's scope has been widened considerably due to higher-than expected interest on the part of African governments. This has resulted in appropriate budget revision and is partially responsible for the overrun of the 1989 budget noted above.

RAF/85/022 - Regional, Africa Project Development Facility

- Consultants have been retained and equipment procured within World Bank guidelines;

- Only one progress report in UNDP format was submitted, however, subsequent progress reports have been submitted in accordance with the required timetable, though in a different format. Furthermore, a terminal report was prepared which was the basis for a decision to extend the duration of the project;

- Cumulative expenditures are within the total project budget, however, expenditures for 1989 exceeded budgeted expenditures for the year; and,

- Due to its success, this project will be extended for an additional five years beginning in July, 1990.

UGA/87/008 - Uganda, Assistance to Economic Planning and Aid Coordination

- Consultants have been retained and equipment procured within World Bank guidelines;

- Progress reports have been submitted in accordance with the agreed-upon timetable and in UNDP format;

- Cumulative expenditures and 1989 expenditures are within the established project budgets; and

- Project has progressed satisfactorily and substantially within the timeframe envisioned in the project document.

NIR/87/011 - Nigeria, Rural Water Supply and Sanitation

- Two consultants were retained without a short-list of firms due to their unique expertise. Such arrangements are in accordance with World Bank guidelines;

- Equipment has been procured through UNDP's Inter-Agency Procurement Services Unit, in accordance with established guidelines;

/...

- Only one progress report has been submitted and in UNDP format;
- Cumulative expenditures as well as 1989 expenditures are within established budgets; and
- This project has experienced some delays which has necessitated revision of annual budgets. This revision was carried out in a timely fashion and properly reflects the project circumstances.

KEN/84/009 - Kenya, Assistance to the Ministries of Finance and Planning and National Development

- Consultants have been retained and equipment procured in accordance with World Bank guidelines;
- Progress reports have been submitted in accordance with the required timeframe and in the proper format;
- Cumulative and 1989 expenditures are within amounts budgeted;
- The project has progressed satisfactorily and substantially as planned in the project document.

COI/88/008 - Comoros, Agricultural Strategy Study

- Only one firm responded to invitations to bid which were properly tendered in accordance with World Bank guidelines. Since the proposal of this firm was acceptable, its services were engaged;
- Equipment was procured locally given the very small amounts budgeted for these items;
- Cumulative and 1989 expenditures were within budgeted expenditures; and
- The project has experienced financial difficulty due primarily to exchange rate fluctuations. Responsible Bank personnel are currently seeking financing so that this project, which is approximately 90% complete, can be finalized.

Review of Internal Audit Work

In March, 1990, the IAD issued a report on internal controls surrounding the Bank's function as Executing Agency for United Nations Development Programme Projects.

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Many of the conditions noted in this report were observed during our examination but were not considered to be reportable conditions, primarily due to management attention to these matters. During our review of this IAD report, we noted that all conditions raised were either being addressed by management or are reported in the "Reportable Conditions" section of this report.

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
EXECUTING AGENCY: INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
STATUS OF FUNDS
AS AT DECEMBER 31, 1989

(Expressed in U.S. dollars)

Operating Fund

Balance at January 1, 1989		$ 3,084,555
Add: Cash drawing from UNDP	$46,585,271	
Inter-office voucher charges	16,831,981	
Other charges/credits (net)	434,260	
Miscellaneous income and exchange adjustments	(77,606)	63,773,906
		66,858,461
Less: Expenditures during 1989		
For projects		
Disbursements	51,253,888	
Unliquidated obligations	6,777,953	
For programme support costs	6,342,900	
For additional support costs	37,700	64,412,441
Balance at December 31, 1989		$ 2,446,020
Represented by:		
Cash at banks and in transit		$ 2,436,275
Investments		1,710,922
Accounts receivable		6,740,269
Due from UNDP trust funds		2,930,728
		13,818,194
Less: Accounts payable and accrued expenses	4,594,221	
Current unliquidated obligations	6,777,953	11,372,174
		$ 2,446,020

The accompanying notes are an integral part of these financial statements.

/...

1801 K Street, N W
Washington, DC 20006

Telephone 202 833 7932

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

May 4, 1990

To the International Bank for Reconstruction
and Development, acting for and on behalf of the
International Finance Corporation as Executing
Agency for Certain Projects of the United Nations
Development Programme

We have audited the accompanying statements of Status of Funds (Statement I), Expenditures by Source of Funds (Statement II) and Expenditures by Country (Statement III) for Certain Projects of the United Nations Development Programme, for which the International Bank for Reconstruction and Development (the Bank) acts for and on behalf of the International Finance Corporation (the IFC) as Executing Agency, for the period February 8, 1988 (date of inception) to December 31, 1989. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme and are not intended to be a presentation in conformity with generally accepted accounting principles. This report is intended solely for the Bank, the IFC, and the United Nations Development Programme and other interested parties and should not be used for any other purpose.

In our opinion, the financial statements audited by us present fairly, in all material respects, the status of funds and expenditures of certain projects of the United Nations Development Programme, as executed by the International Bank for Reconstruction and Development, acting for and on behalf of the International Finance Corporation, as Executing Agency, for the period February 8, 1988 to December 31, 1989, on the basis of accounting described in Note 2.

Price Waterhouse

/...

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
EXECUTING AGENCY: INTERNATIONAL FINANCE CORPORATION
STATUS OF FUNDS
DECEMBER 31, 1989
(in U.S. dollars)

Operating Fund		
Balance at February 8, 1988 (inception)		$ -
Add: Other charges/credits	$ 1,170	
Transfer of project expenditure	33,300	
		34,470
		34,470
Less: Expenditures during 1989		
For projects		
Disbursements	(514,257)	
Unliquidated obligations	(314,045)	
For programme support costs	(91,113)	(919,415)
Balance at December 31, 1989		$(884,945)
Represented by:		
Cash at banks and in transit		$ -
Less: Accounts payable and accrued expenses		(884,945)
		$(884,945)

The accompanying notes are an integral part
of these financial statements.

Translation from French

Swiss Federal Audit Office

942.0.2.13/89
El/im

3003 Berne, 12 April 1990

UNIVERSAL POSTAL UNION, BERNE

ACCOUNTS OF TECHNICAL COOPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial year 1989

External Auditor's report

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Terms of reference

1 In accordance with article 35 of the Financial Regulations of the Universal Postal Union (UPU) and article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP), I have, as external auditor appointed by the Government of the Swiss Confederation, examined the Technical Cooperation project accounts, kept in United States of America dollars, drawn up at 31 December 1989.

2 In performing my duties at the headquarters of the UPU in Berne, I was assisted by Messrs J-P Vessaz, D Neier and S Bucher, from the staff of the Federal Audit Office.

3 I should like to express my appreciation of the helpfulness shown by all the UPU International Bureau officials who were called on to provide the information and documents I required to carry out my task.

4 During our audit, my assistants had regular talks with Mr M Mazou, Assistant Director-General and Head of the Technical Cooperation Division, and Mr G Beney, Senior Counsellor and Head of the Finance Section. Mr J Ascandoni, Deputy Director-General, was informed of the problems encountered during the final audit of the accounts.

Audits and observations

General

5 Our work was conducted in conformity with generally accepted common auditing standards, respecting the additional terms of reference attached to the UPU Financial Regulations and in accordance with the rules issued by the UNDP. In so far as they applied to our audit, the auditing standards adopted by the Panel of External Auditors of the United Nations were followed.

6 Our audits by sampling dealt with the accounting of the movements relating to the "Indicative Planning Figures (IPF)" and "Special Programme Resources (SPR)" allocations, the expenditure and proceeds for the financial year and the liquid funds. The correctness of the items appearing on the financial statements at 31 December 1989 (Statement I, Schedules 1A and 2) was checked, and the balances of the various cash accounts at that same date were compared with those given in the statements or certificates issued by the depositaries. All other assets and liabilities were examined and a comparison was made with the latest UNDP document (OFS 89-12) at 31 December 1989 (see paragraphs 9 and 10 hereunder).

Book-keeping

7 As the result of staff changes in the Finance Section and because of the meeting of the 20th UPU Congress in Washington in late 1989, the books were not always kept up to date. Arrears were noted in particular in the management of cash accounts. The situation had not yet been rectified at the time of the audit, and the International Bureau was asked to correct the shortcomings observed as quickly as possible.

IPF and SPR allocations

8 A few discrepancies were noted between the allocations provided by the UNDP (Status of Allocation by Agency) and those recorded by the International Bureau of the UPU. With regard to those discrepancies which are not the result of overlapping in the recording of project revisions, the officials assured me that they would contact the UNDP to request the missing allocations.

/...

Operating Fund

9 Because the International Bureau of the UPU and the UNDP do not close their books at the same time, the accounts cover slightly different periods. This has resulted in a relatively large discrepancy (373 484.05 dollars on 31 December 1989) which cannot be fully reconciled on the basis of the balance shown by the International Bureau and that derived from the UNDP statements, a discrepancy that the latter no longer puts into account, in keeping with its new practice (see Interoffice Memorandum of 5 April 1988). Although the overlapping itself is understandable, I have asked the International Bureau, in view of the large amounts involved, to consider solutions that might be used at the book-keeping level to lower these amounts, thereby making it easier for each party to establish and verify that the amounts agree.

10 Moreover, the figure representing the net difference between the accounts of the International Bureau of the UPU and those of the UNDP given in the annex to OFS 89-12 does not correspond with the books held by the International Bureau. I have asked the latter to look into the causes of that discrepancy and to contact the UNDP administration so that these figures, which do not reflect reality, may be regularized.

Sectoral support allocation

11 The allocation granted for sectoral support in 1989 amounted to 47 000 dollars, to which was added 5 058.35 dollars, the unused balance carried forward from the previous financial year. The 1989 expenditure for the various missions carried out amounted to a total of 42 596.96 dollars, thus leaving a residue of 9 461.39 dollars.

12 In accordance with the Instructions of 3 December 1985 issued by the UNDP Administrator, the above-mentioned residue of 9 461.39 dollars will be carried over to the 1990 financial year since, at 20.1 percent, it does not exceed 25 percent of the 1989 allocation.

Outstanding obligations

13 Of the total brought forward from financial year 1988 (648 239 dollars), 92 073.85 dollars, or 14.2 percent, were credited to various projects because the components that made up that figure did not correspond to commitments which had fallen due.

14 Outstanding obligations on the Statement of Funds at 31 December 1989 totalled 346 380 dollars, which is slightly more than 16 percent of the expenditure during the financial year. This amount breaks down as follows:

	US $
- Commitments relating to experts	123 090
- Commitments relating to Fellows	32 750
- Commitments relating to equipment and materials	190 540
	346 380

15 The audits carried out in this area allow me to confirm that with few exceptions, these commitments were brought to account in compliance with the Instructions of the UNDP Administrator (Interoffice Memorandum of 25 October 1989).

/...

Support costs

16 The 1989 support costs brought to account by the International Bureau of the UPU were calculated on the basis of the expenditure on 1989 projects, including outstanding obligations. In accordance with the decision of the UNDP Governing Council, 28th session, and the agreement given by the UNDP Administrator, the rate applied was 22 percent.

Procedures for purchase of equipment and materials

17 During examination of the files on procurement of equipment and materials, certain questions of principle were raised. They related to the establishment of criteria to be considered in deciding whether a purchase is to be made locally or by the International Bureau of the UPU, and to application of the Financial Rules concerning calls for tender.

18 Because it was impossible to give full consideration to the International Bureau's replies to the questions raised, they will be taken up again by my assistants in 1990.

Conclusions

19 Following our work, I am in a position to issue the audit certificate appended to annex 2 to this report.

20 Because it was impossible to verify the agreement of the balances shown by the International Bureau of the UPU (Statement I) and those of the UNDP (OFS 89-12), confirmation of completely analogous book-keeping (UPU-UNDP) cannot be given.

F FAESSLER

Deputy Director
SWISS FEDERAL AUDIT OFFICE

(External Auditor)

/...

UNIVERSAL POSTAL UNION
INTERNATIONAL BUREAU

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

Status of Funds as at 31 December 1989
(in US dollars)

Operating Fund

Balance at 1 January 1989			(429 803.52)
Add:	Cash drawings from UNDP	540 000.00	
	IOVs	2 512 570.54	
	Other charges (net)	(24 359.85)	
	Miscellaneous income and exchange adjustments (net)	(6 938.87)	
	Miscellaneous items refunded to UNDP (net)	5 179.64	3 026 451.46
			2 596 647.94
Subtract:	Expenditure during 1989		
	For projects		
	Disbursements (Schedule 1A)	2 103 828.00	
	Unliquidated obligations (Schedule 1A)	346 380.00	
	For programme support costs (Schedule 1A)	539 045.76	2 989 253.76
			(392 605.82)
Subtract:	Adjustement to prior year's expenditure (Schedule 1B)	-	
	Adjustement to prior year's programme support costs	-	-
Balance at 31 December 1989			(392 605.82)

Represented By:1)

Cash at banks, on hand and in transit (Schedule 8bis)			(135 724.28)
Accounts receivable (Schedule 8)			228 996.04
			93 271.76
Less:	Accounts payable (Schedule 9)	139 497.58	
	1989 Unliquidated obligations (Schedule 1A)	346 380.00	485 877.58
			(392 605.82)

---

1) Following the request by the External Auditors, the Operating Fund balance as at 31 December 1989 is presented as follows:

Cash at banks, on hand and in transit (Schedule 8bis/Rev)			73 741.50
Accounts receivable (Schedule 8)			228 996.04
			302 737.54
Less:	Accounts payable (Schedule 9/Rev)	348 963.36	
	1989 unliquidated Obligations (Schedule 1A)	346 380.00	695 343.36
			(392 605.82)

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CERTIFIED CORRECT

G Beney

G BENEY
Chief, Finance Section

APPROVED

A.C. BOTTO DE BARROS
Director-General

Audit Certificate

I have examined the above financial statement. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

The financial statement presents fairly the financial position as at 31 December 1989 and the results of its operations for the period then ended. For further details, I refer to my audit report of 12 April 1990.

Berne, 12 April 1990

Faessler

F. Faessler

Deputy Director
Swiss Federal Audit Office

(External Auditor)

/...

Eidgenössische Finanzkontrolle
Contrôle fédéral des finances
Controllo federale delle finanze
Swiss Federal Audit Office
943.0.1 16/89
El/im

3003 Bern, 17 May 1990

INTERNATIONAL TELECOMMUNICATION UNION, GENEVA

ACCOUNTS FOR THE TECHNICAL COOPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial year 1989

Report by the External Auditor

/...

Terms of reference

1. Under Article 48 of the Financial Regulations of the International Telecommunication Union (ITU) and Article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP), I inspected the accounts of Technical Cooperation projects, kept in United States dollars, as at 31 December 1989, in my capacity as External Auditor appointed by the Government of the Swiss Confederation.

2. In carrying out this task at ITU headquarters in Geneva, I was assisted by Mr. J.-P. Vessaz, Mr. D. Meier and Mr. S. Bucher, officials of the Federal Audit Office.

3. I wish to express my appreciation for the courtesy shown by all the officials of the ITU who were approached in supplying the information and documents needed for the performance of my task.

4. During the audit my colleagues maintained regular contact with Mr. R. Prélaz, Chief of the ITU Finance Department, and with Mr. A.E. Embedoklis, Chief of the Department of Technical Cooperation.

Verifications and comments

General

5. The audit was carried out in keeping with standard auditing procedures, in conformity with both the additional terms of reference attached to the Financial Regulations of the ITU and the relevant UNDP rules. Insofar as they were relevant to our work, the standard procedures used by the group of External Auditors of the United Nations were followed.

6. Some spot checks were made of the posting to account of movements relating to allocations for indicative planning figures (IPF), special programme resources (SPR), special measures for the Least Developed Countries (LDCs) and government cash counterpart contributions (GCCC), expenditure and income during the financial year and liquid funds. The accuracy of the items appearing in the financial statements at 31 December 1989 (Statement I, Schedules 1A and 2) was verified. The balances in the various accounts on the same date were checked against those appearing in the bank statements. The other main items, both assets and liabilities, were inspected and the financial statements were compared with the latest UNDP document (OFS 87-13) at 31 December 1989.

Allocations for IFP, SPR, LDCs and GCCC

7. For some projects, the UNDP allocation (Status of Allocation by Agency) is less than expenditure or is even lacking altogether. Sometimes the difference is due to adjustments which will be taken into account in the annual mandatory revision and which will be the subject of an additional allocation.

8. In the case of a number of LDC and GCCC projects, the differences are relatively high. As the ITU was not able to explain why the missing sums had not been allocated, I asked the officials responsible to contact the UNDP to settle this problem.

Cash resources

9. My colleagues verified that the transfers of UNDP funds in various currencies had been fully and accurately recorded in the banks in which the ITU has accounts. The checks covered all transfers of funds made during the first half of 1989. For one month, my assistants also checked that the entries in the ITU accounts tallied with the amounts shown in the bank statements.

Sectoral support allocation

10. The sectoral support allocation in 1989 amounted to 124,000 dollars, to which should be added the unused balance of 56,174 dollars carried over from the previous financial year. 1989 mission expenses came to 161,540 dollars, leaving 18,634 dollars.

11. In accordance with the UNDP Administrator's Instructions of 3 December 1985, this sum of 18,634 dollars will be carried forward to 1990 since it does not exceed 25% (15%) of the 1989 allocation.

Unliquidated obligations

12. Out of the total balance carried over from 1988 (4,654,921 dollars), a sum of 106,186.29 dollars, i.e. 2.3%, was credited to the various projects because the items making up this figure were not taken up by commitments that had fallen due.

13. Unliquidated obligations which appear on the statement as at 31 December 1989 stand at 4,836,376 dollars, equivalent to slightly more than 22% of the financial year's expenditure. To this amount should be added 453,791 dollars for 1987 and 1988. The latter item appears under the balance sheet liabilities (Accounts payable). The amounts indicated above break down as follows:

	US $
- Unliquidated obligations "Experts"	252,030.--
- Unliquidated obligations "Consultants"	536,425.--
- Unliquidated obligations "Fellows"	148,440.--
- Unliquidated obligations "Local staff"	18,394.--
- Unliquidated obligations "Miscellaneous"	10,000.--
- Unliquidated obligations "Equipment"	3,871,087.--
	4,836,376.--
- Unliquidated obligations 1987 and 1988 "Equipment"	453,791.--
	5,290,167.--

/...

14. After due verifications, I can confirm that the obligations have been accounted for in accordance with the Instructions of the UNDP Administrator (Interoffice Memorandum of 25 October 1989). As far as equipment is concerned, unliquidated obligations were recorded in cases where credits had been included in the budget of the financial year and a firm order had been placed or a contract signed before 31 December 1989 but the accounts had not been settled either because the goods had not yet been delivered or the service provided or because the invoice had not yet been received by the executing agency. As in the case of the closing of accounts in the previous financial year, my colleagues noted that in some cases the conversion into dollars of the cost of equipment expressed in another currency had been based on a rate of exchange different from the United Nations rate for December 1989. Inaccuracies of this sort should be avoided in future.

Support costs

15. Support costs posted to account by the ITU were determined on the basis of the 1989 project expenditure, including unliquidated obligations. In general, the rate applied was 13%, except in the case of five projects, for which a lower rate was agreed.

16. As regards the conversion into Swiss francs and the transfer of sums due each month to the executing agency, the UNDP rules were correctly observed.

Evaluation of projects

17. In keeping with the recommendations of the Joint Inspection Unit, the Administrative Council of the ITU, at its 42nd session, approved the creation of a post for an evaluation officer for technical cooperation projects. This post was extended in 1988 and the necessary credits were entered in the regular budget of the Union. According to the information given to my colleagues, the travel costs arising in connection with his activities in the field are charged to various projects when an evaluation mission is provided for in the UNDP documents.

Verification missions abroad

18. Taking advantage of a visit to South-East Asia, I was able to make on-the-spot checks to supplement the financial verifications made on the basis of the files kept at ITU headquarters in Geneva. I examined the progress and implementation of three projects, in particular those aspects of relevance to my terms of reference as external auditor which were concerned with financial, personnel, inventory and infrastructure matters as well as compliance with follow-up, evaluation and reporting procedures.

19. I reported on my findings to the Secretary-General of the ITU and these are summarized below.

/...

20. Project No. 1

This is a national project concerned with training in radio-frequency management.

The UNDP allocation went up from 397,300 dollars, according to the project document signed in October 1985, to 752,586 dollars according to the latest budget revision (H, April 1988) available. This increase of approximately 90% is due to the addition of immediate objectives in connection with the training laboratory and the analysis of computer requirements [illegible] revision E, December 1987) and probably to an under-estimate of the resources needed when the project document was drawn up. The substantial increase in the "Miscellaneous" budget line from 13,500 dollars to 27,875 dollars was also noted but it was not possible to identify the reasons.

The equipment purchased by the UNDP allocation for a sum of 182,784 dollars - transmitted to the Government - consists in installations which are required for training and which are operating satisfactorily at the Training Centre.

On the subject of procedures, it should be noted that the UNDP Resident Representative did not convene the second tripartite review which should have taken place at the end of 1988 or at the beginning of 1989 (the project having terminated in June 1989). According to the various statements made, the three parties felt that such a review was not necessary in view of the results of the project which were unanimously considered to be positive. Nevertheless, this must be considered an omission in view of the importance of this review in UNDP follow-up and evaluation procedure.

The cash advance granted to the senior expert still has to be recovered.

21. Project No. 2

This is a national project for the improvement of a training centre.

The UNDP allocation, estimated at 1,438,900 dollars in the project document (December 1984), stood at 1,657,681 dollars (+ 15% approximately) in accordance with the budget revision of March 1989. The "Staff" and "Miscellaneous" budget lines benefited from this increase. The "Miscellaneous" line went up from 10,000 dollars to 47,191 dollars but the reasons for the increase are not known. The ITU should develop an accounting entry system to enable the main components of this budget line to be identified.

The government cash counterpart contribution (GCCC), which amounted to the equivalent of 224,777 dollars and was used for the purchase of equipment, has not yet been transferred in the form of allocation to the ITU. The exact amount, with account being taken of support costs, should be determined and credited to the ITU to offset the debit item which has been opened in the books Difficulties could arise in connection with changes in the the rate of exchange with the United States dollar.

/...

A visit to the Training Centre showed that equipment purchased with the UNDP allocation and the government cash counterpart contribution (GCCC) was being used and met the requirements of the Centre. The final report (June 1989) mentioned two delicate issues relating to the use of the equipment:

- initial difficulties encountered by the video production centre because of the inadequate number of scripts and administrative problems;
- a fault in the internal computer network (LAN).

The second problem had not yet been settled at the time of my visit. As for the first point, I was assured by the officials in charge of the Centre that the video production centre was now operating satisfactorily.

22. Project No. 3

This is a regional project entitled "Application of cellular radio telephone systems".

The UNDP allocation for this regional project, which covers six countries, was estimated at 500,000 dollars in the project document (October 1987). The tripartite review (April 1989) recommended an extension of the immediate objectives and an increase in the allocation. However, UNDP has not lent its support to the idea of revising the project because of the inadequacy of the financial resources at present earmarked for this objective.

For the purposes of verification, the senior expert should be informed about payments charged to the project in connection with the reimbursement of travel expenses and subsistence allowances to individuals attending seminars organized under the project. An error in charging an item was in fact detected in the course of the audit and the possibility of an unjustified reimbursement (e.g. non-participation in the seminar) cannot be ruled out.

The interest yielded by the cash advance paid into the bank should be entered in the account at least once a year and for this purpose should be reported to the ITU.

After due consideration of the documents submitted and the explanations provided, a number of accounting adjustments were requested, and it was then possible to certify that the expenses accounted for were in conformity with the project's budget and objectives.

Conclusions

23. As a result of the operations carried out, I am in a position to state that the accounts are kept correctly and that the entries are in conformity with the supporting vouchers.

24. On the basis of the work carried out, I am able to issue the certificate which appears at the end of the following documents (Statement I):

- UNDP status of funds (Annexes 1 and 2);
- Statement for UNDP funds-in-trust RAS88009;
- Statement for UNDP funds-in-trust RAS88019;
- Statement for UNDP funds-in-trust RAS89002;
- Statement for sectoral support funds INT78020.

(Signed)

F. Faessler

Deputy Director
SWISS FEDERAL AUDIT OFFICE

(External Auditor)

Annexes:

1 + 2	Statement I - Status of funds as at 31 December 1989
3	Schedule 1A
4-15	Schedule 2

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

(International Telecommunication Union)

Status of Funds as at 31 December 1989

(in U.S. dollars)

Operating Fund

	$	$
Balance at 1 January 1989		-6.604.628,41
Add : Cash drawings from UNDP		22.200.000,-
IOVs		9.469.510,53
Other charges/credits (net)		-91.366,08
Miscellaneous items refunded and exchange adjustments (net)		77.268,77
Expenses incurred on completed projects		-11.412,61
		25.039.372,20
Deduct: Expenditure during 1989 (Schedule 1)		
For projects: disbursements	21.559.153,-	
unliq.obligations	4.836.376,-	
For programme support costs	3.260.617,-	29.656.146,--
Balance as at 31 december 1989		-4.616.773,80

Represented by : 1)

Cash at banks, on hand and in transit		448.383,26
Account receivable (Schedule 8)		1.161.402,63
		1.609.785,89
Deduct: Accounts payable (Schedule 9)	1.390.183,69	
1989 Unliquidated obligations	4.836.376,-	6.226.559,69
		-4.616.773,80

1)Following the request by the External Auditor, the Operating Fund balance as at 31 December 1989 is representing as follows:

Cash at bank, on hand and in transit		1.110.482,67
Accounts receivable (Schedule 8)		1.161.402,63
		2.271.885,30
Deduct: Accounts payable (Schedule 9)	2.052.283,10	
1989 unliquidated obligations	4.836.376,-	6.888.659,10
		-4.616.773,80

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STATEMENT I (Continued)

Certified correct :

R.Prélaz
Chief of the Finance Department

Approved :

Pekka Tarjanne

Pekka Tarjanne
Secretary-General

AUDIT CERTIFICATE

I have examined the above financial statement. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

The financial statement presents fairly the financial position as at 31 December 1989 and the results of its operations for the period then ended.

Faessler

F. Faessler

Deputy Director
SWISS FEDERAL AUDIT OFFICE

(External Auditor)

Date : 09 March 1990

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UNDP

REPORT OF THE EXTERNAL AUDITOR

General

1. The statements and tables relating to the participation of WMO in the United Nations Development Programme are presented in the form laid down by the UNDP, and I have examined them during the audit of the General Budget and subsidiary funds of the Organization.

2. My comments on 1988 expenditures, following the limited audit carried out in 1989, were included in my report attached to the 1988 statement forwarded to the UNDP external auditor.

3. Statement I shows the financial resources placed at the disposal of WMO by UNDP in 1989, project expenditures incurred by WMO during the financial year and programme support costs accruing to the Organization, as well as the balance of funds as at 31 December 1989. In 1989, as in 1988, the statement shows a negative balance for WMO as a result of the negative 1988 balance carried forward and the inclusion in the accounts of unliquidated obligations. On a cash basis, the balance of funds is still positive for WMO, although it decreased substantially between 1988 and 1989

Total programme and support costs expenditure amounted to US$ 17,210,871 in 1989, which represents an increase of 12.5% over 1988.

4. According to UNDP accounting instructions, an amount of US$ 57,198 reported as unliquidated obligations for the Albanian programme represents, in my opinion, forward commitments, while unliquidated obligations with respect to the Moroccan programme are underestimated by US$ 12,351.

Programme support costs

5. Expenditure incurred by WMO for the administration of UNDP projects is charged to the WMO Technical Co-operation Fund. The contribution requested from UNDP by WMO amounts to US $ 2,100,000 on the understanding that the arrangements detailed in Schedule 4 B, page 1 and 2, will be agreed to by UNDP.

Because of this flexibility, my observation under para. 4, above, has no impact on programme support costs.

André Chandernagor
(Premier Président de la Cour des Comptes
de la République française)

External Auditor of the
World Meteorological Organization

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UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD METEOROLOGICAL ORGANIZATION

Status of Funds as at 31 December 1988 and 1989

EXTERNAL AUDITOR'S CERTIFICATE

I have examined the attached Statements I, as well as the corresponding Schedules 1 to 11 pertaining to the financial periods ended 31 December 1988 and 1989, respectively. I have obtained all of the information that I have required and I hereby certify, as a result of the audit, that, in my opinion, the attached statements and corresponding tables are correct.

André Chandernagor
(Premier Président de la Cour des Comptes
de la République française)

External Auditor of the
World Meteorological Organization

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STATEMENT I

United Nations Development Programme

WORLD METEOROLOGICAL ORGANIZATION

Status of Funds as at 31 December 1989

(in US dollars)

Operating Fund	$	$
Balance at 1 January 1989		(2,389,587)
Add: Cash drawings from UNDP	8,492,164	
IOVs	7,870,725	
Other charges/credit (net)	(80,549)	
Miscellaneous income and exchange adjustments (net)	(70,592)	
Miscellaneous items refunded to UNDP (net)	8,618	16,220,366
		13,830,779
Less: Expenditure during 1989		
For projects		
Disbursements (Schedule 1A)	11,623,552	
Unliquidated obligations (Schedule 1A)	3,490,082	
For programme support costs (Schedule 1A)	2,097,237	17,210,871
Add: Adjustment to prior year's expenditure (Schedule 1B)	-	
Adjustment to prior year's programme support costs (Schedule 1B)	-	-
Balance at 31 December 1989		(3,380,092)
Represented by:		
Cash at banks, on hand and in transit		323,045
Accounts receivable (Schedule 8)		1,128,223
		1,451,268
Less: Accounts payable (Schedule 9)	1,341,278	
1989 Unliquidated obligations (Schedule 1A)	3,490,082	4,831,360
		(3,380,092)

CERTIFIED CORRECT

M. Husain
(M. Husain)
Chief, Finance and
Budget Division

APPROVED

(G.O.P. Obasi)
Secretary General

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UNITED NATIONS DEVELOPMENT PROGRAMME

INTERNATIONAL MARITIME ORGANIZATION

1. Introduction

1.1. The transactions of the International Maritime Organization as an Executing Agency of the United Nations Development Programme, during the year ended 31 December 1989, are recorded in the annexed Statement I and the accompanying schedules in the form prescribed by the UNDP.

2. Statement I

2.1. Cash drawn from the UNDP during the year amounted to $5,665,760 whilst payments made on behalf of IMO directly from UNDP funds for programme expenditure and charged to IMO by inter-office vouchers, totalled $1,569,575. Net miscellaneous charges were $384,709.

2.2. Expenditure on project activities during 1989 amounted to $5,913,395 (compared with $5,206,880 in 1988) made up of disbursements of $5,085,503 plus unliquidated obligations of $827,892. Programme support costs of $1,122,042 brought the total expenditure to $7,035,437. The balance $1,007,466 as at 31 December 1989 represents the cash resources still to be provided by the UNDP to meet the expenditure committed on the programme as at that date.

2.3. Unliquidated obligations remaining from previous years amounting to $128,935 are included in accounts payable.

2.4. The support cost of $1,122,042 charged in the account to meet the cost of IMO's technical and administrative support of the programme, consists of 13% of the $5,913,395 project expenditure less miscellaneous items refunded to UNDP of US$7,909 (i.e. $767,713) plus an amount of $354,329 claimed under the arrangement for support cost flexibility for small agencies approved by the UNDP Governing Council.

2.5. The number of individual projects on which expenditure was incurred in 1989 was 49.

3. Equipment

3.1. Expenditure on equipment supplied to projects has been charged as current expenditure and is included in the total of expenditure on projects. Non-expendable items of equipment delivered to projects, costing $25 or over, are recorded in inventories.

W.A. O'NEIL
Secretary-General

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OPINION OF THE EXTERNAL AUDITOR

To: The Assembly of the International Maritime Organization

I have examined the appended Status of Funds Statement I and Schedules 1A and 2 of the International Maritime Organization as Executing Agency of the United Nations Development Programme for the year ended 31 December 1989, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination I am of the opinion that the Statement and Schedules present fairly the financial position as at 31 December 1989 and the results of the operations for the period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

I have no observations to make on these financial statements.

John Bour

JOHN BOURN
(Comptroller and Auditor General, United Kingdom)
External Auditor

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
International Maritime Organization

Status of Funds as at 31 December 1989
(in US Dollars)

Operating Fund	$	$
Balance at 1 January 1989		(822,655)
Add: Cash drawings from UNDP	5,665,760	
IOVs	1,569,575	
Other charges (net)	(392,566)	
Miscellaneous income and exchange adjustments (net)	5,571	
Miscellaneous items refunded to UNDP (net)	2,286	6,850,626
		6,027,971
Less: Expenditure during 1989		
For projects:		
Disbursements (Schedule 1A)	5,085,503	
Unliquidated obligations (Schedule 1A)	827,892	
For programme support costs (Schedule 1A)	1,122,042	(7,035,437)
		(1,007,466)
Add: Adjustment to prior year's expenditure	-	
Adjustment to prior year's programme support costs	-	-
Balance at 31 December 1989		(1,007,466)
Represented by:		
Cash at banks, on hand and in transit		50,252
Accounts receivable		372,802
		423,054
Less: Accounts payable	(602,628)	
1989 unliquidated obligations (Sch. 1A)	(827,892)	(1,430,520)
		(1,007,466)

CERTIFIED

D. MUTHUMALA
HEAD, FINANCE AND BUDGET SECTION

APPROVED

W.A. O'NEIL
SECRETARY-GENERAL

/...

[Original: French]
SWISS FEDERAL AUDIT OFFICE
3003 Berne, 12 April 1990

WORLD INTELLECTUAL PROPERTY ORGANIZATION, GENEVA

ACCOUNTS OF TECHNICAL CO-OPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial year 1989

External Auditor's report

Mandate

1. In accordance with the agreements concluded between the World Intellectual Property Organization (WIPO) and the Government of the Swiss Confederation on the external audit of accounts, and pursuant to article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP), I have in my capacity as External Auditor audited the technical co-operation project accounts kept in United States dollars as at 31 December 1989.

2. In carrying out my work at the headquarters of the WIPO International Bureau in Geneva, I was assisted by Mr. D. Neier and Mr. S. Bucher of the Swiss Federal Audit Office.

3. I wish to express my gratitude for the courteous way in which the information and documents necessary for the performance of my assignment were made available by all the staff members of the International Bureau called upon for this purpose.

4. During the audit, the findings and comments were regularly discussed with Mr. T. A. J. Keefer, Director of the Division of Budget and Finance of WIPO, Mr. P. Favatier, Chief of the Finance Section, and Mr. B. Machado, Chief of the Support Unit of the WIPO Permanent Programme for Development Co-operation.

Audits and Findings

Remarks

5. The audit was carried out in accordance with the generally accepted common auditing standards, the terms of reference annexed to the WIPO Financial Regulations and UNDP Rules. The auditing standards adopted by the Panel of External Auditors of the United Nations were followed insofar as they were relevant to our audits.

6. Audit testing was performed in order to ascertain how changes in expenditures and income for the financial year, and in cash items, were reflected in the accounts. The accuracy of the entries in the financial statements, as at 31 December 1989, (Statement I, Schedules 1A and 2) was checked. The cash-account balance as at the same date was checked against the bank statement. The other main entries under assets and liabilities were audited. Reconciliation between the last UNDP statement of accounts (OFS 89-12) and the amounts recorded in the WIPO International Bureau accounts as at 31 December 1989 was carried out. The adjusting entries have been recorded in the latter accounts.

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Project delivery

7. On the basis of the records available at the headquarters of the WIPO International Bureau, my colleagues reviewed implementation of a number of projects. They reviewed the impact in budgetary, financial and accounting terms of the various activities undertaken during the financial period and sought clarifications and explanations where necessary. Further, they verified a number of expenses relating to various project budget lines and the apropriateness and accuracy of the figures.

Unliquidated obligations

8. Of the total amount brought forward from the 1988 financial year ($624,220 in round figures), $31,032 (5 per cent) was credited to the various projects previously charged, commitments having been slightly higher than expenses. An amount of $24,261 was carried forward to the 1990 financial year under accounts payable. This relates to the amount of obligations not liquidated during the period under review.

9. The unliquidated obligations recorded in Statement I (Report No. 11 - IPFs and Report No. 13 - trust funds), namely $397,012 and $125,018, were treated in the accounts in accordance with the instructions of the Administrator of UNDP (annex No. 3 to the memorandum of 25 October 1989). With specific reference to equipment, unliquidated obligations were recorded when an order had been placed before 31 December 1989 and the corresponding appropriation entered in the budget for the 1989 financial year. Where local procurement is concerned, purchase authorization by the executing agency is regarded as an order.

Sectoral support allocation

10. The 1989 allocation of $120,000, together with the balance of $4,657 from the previous financial period, was used to finance the activities of the interregional sectoral consultant, activities which are recorded in the reports of 24 July 1989 and 24 January 1990 from the International Bureau of WIPO to the Administrator of UNDP. The review of expenses recorded under this heading requires no further comment.

Support costs

11. The support costs recorded in the accounts for 1989 by the International Bureau of WIPO were calculated, as in previous years, on the basis of the figures for expenditure and unliquidated obligations in respect of indicative planning figure (IPF) and government cash counterpart contribution (GCCC) projects at a global rate of 22 per cent, in accordance with the decision adopted by the Governing Council at its twenty-eighth session and with the agreement of the Administrator of UNDP, and at a rate of 13 per cent in respect of trust funds.

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Conclusions

12. The audit has verified that the accounts are accurate and that the accounting records agree with supporting documentation.

13. With the conclusion of the audit, I am in a position to issue the audit certificate appended to the following documents:

- Statement of UNDP funds (annex I).
- Statement of UNDP trust funds (annex IV)

(Signed) W. Frei
Deputy Director of the
FEDERAL AUDIT OFFICE OF THE
SWISS CONFEDERATION
(External Auditor)

/...

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
WIPO

Status of Funds as at 31 December 1989
(in US dollars)

Operating Fund	$	$
Balance at 1 January 1989		(908,836.43)
Add: Cash drawings from UNDP	1,793,327.45	
IOVs	2,273,965.16	
Other charges/credit (net)	(54,631.78)	
Miscellaneous income and exchange adjustments (net) (Sched. 7)	6,442.96	
Miscellaneous items refunded to UNDP (net) (Schedule 7)	1,154.85	
		4,020,258.64
Less: Expenditure during 1989		
For projects		
Disbursements (Schedule 1A)	2,944,924.21	
Unliquidated obligations (Schedule 1A)	397,012.89	
For programme support costs (Schedule 1A)	734,972.10	(4,076,909.20)
Balance at 31 December 1989		(965,486.99)
Represented by:		
Cash at banks, on hand and in transit	8,854.20	
Accounts receivable (Schedule 8)	43,142.29	51,996.49
Less: Accounts payable (Schedule 9)	620,470.59	
1989 Unliquidated obligations (Schedule 1A)	397,012.89	(1,017,483.48)
		(965,486.99)

CERTIFIED CORRECT

E. Seinet

Eliane Seinet
Finance Officer

APPROVED

T.A.J. Keefer
Controller

AUDIT CERTIFICATE

/...

STATEMENT I (continued)

(UNDP)

Audit Certificate

I have examined the above financial statement. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

The financial statement presents fairly the financial position as at 31 December 1989 and the results of its operations for the period then ended.

For further details, I refer to my audit report of 12 April 1990.

12 April 1990

F. Faessler
Deputy Director
SWISS FEDERAL AUDIT OFFICE
(External Auditor)

/...

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENTS RELATING TO THE PARTICIPATION OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO) AS AN EXECUTING AGENCY IN THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) AND IN UNDP-ADMINISTRED TRUST FUNDS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 1989.

GENERAL

1. The statements and supporting schedules relating to the participation of UNIDO in the United Nations Development Programme are in the form prescribed by UNDP. My examination of them has been carried out in conjuction with my audit of the regular budget and subsidiary funds of the Organisation. It included a general review of the accounting procedures and such tests of the accounting records as I considered necessary.

2. Except for some minor errors no real inconsistencies or systematic abuses could be noted. UNDP guidelines and instructions, specifying the applicable accounting policies were followed to the most possible extent so that no observations were formulated in this respect.

3. With regard to technical co-operations activities, during the biennium 1988-1989 as part of a general review of UNIDO policies and procedures on projects design, appraisal, monitoring, evaluation and follow-up, in accordance with UNIDO Financial Regulations 11.3 and 11.4 my staff:

(i) updated the examination of the large-scale, multi-years projects, funded by the UNDP and executed in Bangladesh, the Socialist Republic of the Union of Burma, the People's Republic of China, the Republic of India, Nepal, Pakistan and Vietnam, respectively, and

(ii) further audited the projects executed in developing countries throughout the world with a budget exceeding US$ 1,000,000 each, financed by the UNDP.

SUMMARY OF FINDINGS

4. Our review of the internal evaluation system showed that in 1989 the number of Project Performance Reports (PPERs) increased significantly as against 1988. Nevertheles, quite a number of PPERs which were due in 1989 have not been received yet from the field or were submitted with substantial delays. Although the quality of the PPERs improved, it appeared that for several projects the reports received were of a rather poor quality.

/...

5. With regard to the projects executed in one of the larger developing countries, we observed that in 1988-1989 only three Tripartite In-depth Evaluation exercises were conducted, all without proper participation of UNIDO. As for the projects of another larger country, we noticed that not a single in-depth evaluation was performed.

6. Our examination of the projects further indicated that still in 1988-1989 the production of outputs was hampered by: (i) the fact that project formulation and design had been rather poor; (ii) lack of external inputs; (iii) difficulties and/or delays in delivery, installation and commissioning of major equipment components, and for increases in their costs; (iv) the arrival of substantial equipment in severely damaged condition; (v) deficiencies or delays in the implementation of contracts: (vi) difficulties in identifying suitable experts and/or consultants, delays in the approval of job descriptions and/or in acceptance of candidates and their clearance by governments, and poor performance of some experts and consultants or their late arrival at and/or early departure from the project; (vii) delays in nominating fellows and participants for study tours, the non-availability of national counterpart personnel, the lack of fellows with sufficient language capabilities, and increases in the cost of training fees; (viii) the lack of or late provision of required counterpart staff and delays in completion of project buildings and facilities, as well as in the clearance of the terms of reference for sub-contracting and in the submission and endorsement of equipment specifications.

7. We furthermore noted the reluctance of UNIDO Management to inserting a penalty clause in the contracts and purchase orders.

8. Finally we noticed a new approach in the assessment and evaluation of the sustainability, the commercial viability, and the impact of the projects.

TECHNICAL CO-OPERATION ACTIVITIES

Internal Evaluation System

A. Timely Submissiom of the Project Performance Evaluation Reports (PPERs) by yhe Field Officers.

9. Comparing 1989 with 1988, we noticed that the number of PPERs received and processed by UNIDO during the year concerned increased substantially. We highly appreciate this significant improvement.

/...

10. With regard to the cases where no reports were received despite periodic follow-up and reminders, we were informed by UNIDO Management that for countries with continued low compliance rates, letters have been addressed to the responsible UNDP Resident Representative, copied to the Unido Country Directors (UCD), requesting assistance in the follow-up. Albeit the fact that the control of the PPER system, particularly its timing and first preparation is a field function, very often its pursuance seems to depend entirely on UNIDO Evaluation Staff.

11. Our audit further revealed that in 1988 and 1989 and up to April 1990 quite a number of PPERs were received by UNIDO Headquarters with delays ranging from three to even twelve months as against the date scheduled for. In this connection, we pointed out that substantial delays in submitting the PPERs may negatively affect the project monitoring and the support to be provided by UNIDO Headquarters when prompt decisions are to be taken at TPR-meetings. Management stated that it is fully aware of the negative effect which such delays have on project monitoring, but the timely submission of PPERs is only to a limited extent under the control of UNIDO Headquarters. The basic problem is that many UNDP offices and governments somehow did not yet appreciate fully the importance of PPERs in project monitoring and, therefore, did not push enough locally for compliance. The matter is taken up from time to time with all parties involved.

12. In view of UNDP's responsibility for ensuring that its funds are always being utilized with maximum economy, efficiency and effectiveness, we recommend that UNDP Administration should fully support the action taken by UNIDO towards a timely submission of the PPERs.

B. The quality of the PPER exercicxes.

13. We noticed that for quite a number of projects the PPERs received in 1988 and 1989 were of a good and even excellent quality, providing key information for immediate action by Management and/or for discussion at the TPR-meetings with a view to: (i) improving project implementation; (ii) changing project design; (iii) reformulating project objectives; (iv) solving input delivery problems; (v) reviewing the project budget; (vi) adjusting project outputs; (vii) extending project activities; (viii) scheduling an in-depth evaluation exercise; (ix) ascertaining the sustainability of the project; (x) assessing the impact of the project.

/...

14. On the other hand, our review also disclosed that several PPERs received in 1988 and 1989 did not, inter alia:
(i) provide a clear picture of current project status;
(ii) contain all information elements to solve the problems encountered nor indicate the remedial action;
(iii) sufficiently describe the results of the project;
(iv) provide information on the likelihood of the project results put into practice;
(v) provide any information on the sustainability of the project achievements after the termination of external assistance.

15. In this connection, we took due note of the fact that these and other deficiencies were systematically brought to the attention of the Project Authorities with a view to improving the project activities as well as the PPER exercises. It appears, however, that the PPER is not yet fully understood and used as a management tool; in a minority of cases project teams seemingly consider the report as a control and inspection mechanism not to say simply a purely administrative function.

16. We recommend that UNDP Administration should also take appropriate steps with a view to further improving the quality of the PPER exercises.

C. Tripartite In-depth Evaluations.

17. We refer to para. 20 of our report of 28 June 1988 where we indicated that sometimes the tripartite in-depth evaluation is the only tool available to solve a long-standing problem or misunderstanding between the three parties concerned. Moreover, the performance of this evaluation exercise at the project's mid-term seems to have the most immediate effect on improving project implementation; and in projects where problems are identified early, it is more appropriate to have a mid-term in-depth evaluation which can introduce corrective action or project re-orientation at an early stage, rather than to wait for a terminal evaluation.

18. We noted that in 1988 twenty-seven in-depth evaluation exercises were conducted, most of them with a UNIDO representative. In 1989 only eighteen were carried out, although forty were planned.
UNIDO Administration explained that concerted efforts continued to be made to conduct them in time. However, delays have taken place because of non-availability of government or UNDP representatives for conducting the reviews at fixed schedules.

/...

19. With regard to the projects of a certain country (cf. paras 21 of our aforementioned report of 28 June 1988), we observed that in 1988-1989 only three in-depth evaluation exercises were conducted, all without proper participation of UNIDO. In this connection, we were informed of the reluctance of the Government to financing a full evaluation from project funds, although according to the UNDP PPM, Section 30600, para. 3.0.2., in-depth evaluation costs may be charged to the UNDP budget. According to footnote (a) on the same page of the PPM, the evaluation of any project requires government agreement, but this is deemed to have been obtained when the government signs the project document, which provides for the application of UNDP evaluation policies and procedures.

20. As for the projects of another country (cf. para 23 of our report mentioned above), we noticed that in 1988-1989 not a single in-depth evaluation was performed. In this connection, we took due note of the letter of 25 November 1988 sent by UNIDO Management to the UCD in that country with the suggestion of organizing a couple of in-depth evaluation exercises, on a trial basis, in order to demonstrate their usefulness, and explaining that they provide an objective and independent view on the impact, effectiveness and efficiency of each particular project, as well as recommendations for improvements. This suggestion has been followed up by direct contacts with Government officials and project staff.

21. We were further informed that about forty in depth-evaluation exercises have been planned for 1990, five of which for each of the above mentioned two countries. Management added, however, that it still has problems with the conduct of tripartite in-depth evaluations in these countries.

22. We strongly recommend that UNDP Administration should take special care in having proper tripartite in-depth evaluations carried out.

Factors affecting timely production of project outputsand often resulting in substantial increases in project expenditures

A. In general.

23. We took due note of the steps taken by UNIDO - as described in document IDB.5/10, Annual Report of UNIDO 1988, Chapter I, Policy Issues - to improve overall efficiency and to increase project delivery and quality.

24. Yet our audit revealed that during 1988-1989 quite a number of projects still had serious implementation problems causing substantial delays and cost escalations of important imputs.

25. In this connection, we also wish to emphasize that UNIDO as Executing Agency is not the only responsible for the deficiencies concerned but the responsibility of the UNDP and the Government which are also partners in the tripartite exercise of technican co-operation within the UN system, is involved as well. The Government and counterpart and the local UNDP office are at all times informed of the status of a project.

26. We therefore strongly recommend that UNDP Administration should assist UNIDO in its endeavours to preclude the recurrence of factors affecting timely production of projects outputs.

B. Project Formulation, Design and Appraisal.

27. As stated in document IDB.5/10, Chapter V, in 1988 several hundreds of project proposals were appraised. While the projects requiring no modification in design increased, a large per cent did require various degrees of reformulation. The main weaknesses in project design were the lack of clear specifications of the problems addressed by the project proposal and of government counterpart contributions.

28. As stated in cocument IDB.6/10, Annual Report of UNIDO 1989, Chapter V, in 1989 also several hundreds of project proposals were submitted for appraisal. Project proposals requiring no modification after appraisal decreased again. The main weaknesses in project development continued to be the lack of clarity of the problems addressed and inadequate specification of the absorptive capacity of the counterparts and their potential contribution to the project.

29. Our audit also revealed that still in 1989 for a number of projects the production of outputs was partly hampered by the fact that design had been rather poor. For example, projects DP/ALG/87/025; DP/BGD/84/037; DP/RAF/81/015 and DP/ROK/86/002.

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C. Lack of external inputs.

30. Our review showed that in 1989 the outputs of a number of projects were seriously delayed due to lack of or late provision of financial resources. For example, projects DP/BOL/83/012; DP/EGY/86/001 and DP/NIR/87/031.

D. Project Equipment.

31. Our examination disclosed that in 1988 and/or 1989 several projects had serious problems with major equipment components as a consequence of the following factors.

(a) Underestimation of the budget and/or cost escalations; for example, projects DP/ANG/86/004; DP/CPR/85/019; DP/VIE/80/030; DP/VIE/86/031; DP/VIE/86/032 and DP/YEM/87/003.

(b) Devaluation of the US dollar; for example, projects DP/CPR/85/016; DP/ETH/83/012 and DP/ETH/83/024.

(c) Delay in the preparation/revision of equipment specifications; for example, project DP/TRI/85/007.

(d) Difficulties and/or delays in ordering, shipping, delivery, installation and commissioning of equipment; for example, projects DP/ALG/87/025; DP/CPR/83/002; DP/EGY/85/002; DP/ETH/83/012; DP/IND/84/013; DP/IND/85/026; DP/IND/87/003; DP/MEX/87/004; DP/PAK/83/014; DP/VIE/80/030 and DP/VIE/84/010.

32. Regarding project DP/CPR/83/002, we observed that there had been a long outstanding problem of non-delivery of the Differential Thermal Analyzer in Pase I (project DP/CPR/80/048). It was obvious that the equipment received could not meet the technical requirements set forth in the specifications for the purchase order. In the first quarter of 1989 the vendor finally supplied alternative equipment at no extra cost.

33. As to project DP/ETH/83/012, there was not only delay in the procurement of equipment, but failure of the supplier to provide installation and technical manuals also contributed to delay in the installation of the equipment. On the other hand, equipment delivered was lying idle since long time possibly being damaged due to lack of proper storage.

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34. With regard to project DP/IND/87/003, we noticed that the overall progress of activities had been highly satisfactory, but a setback took place as a consequence of the receipt in June 1988 of the multi-chamber chemical deposition system (costing US$ 491,788) in a severely damaged condition. It happened to be the most essential equipment for the project. An additional budget revision was made to cover the cost of re-ordering the equipment pending the insurance claim settlement.

35. As for project DP/IND/85/026, there was no delay in ordering equipment but, after the equipment was installed and commissioned, the project authorities could not do the trial runs and therefore had to request that an engineer of the supplier should come again. This took some time due to various reasons.

36. In this respect, we questioned UNIDO Management on the recommendations made in the background paper for the mid-term review of a Country Programme ("Review of Factors Influencing the Performance of UNDP Projects") - addressed to the UNDP and referring to 'Executing Agencies', i.e. not specifically to UNIDO's performance. In view of recent unfortunate experiences in the provision of equipment, it was strongly recommended that the UN Executing Agencies should thoroughly review their contracting and shipping/insurance procedures for the supply of equipment to ensure accountability with respect to the delivery of such equipment (especially sophisticated equipment) to the project site in accordance with specifications and in operable condition and that recourse action be taken promptly in case equipment is received either damaged or not in accordance with specifications. It was also suggested that financial penalties be built into contracts between Executing Agencies and suppliers to safeguard the interests of the Government and project authorities, as well as UNDP (and the Agencies), against provision of defective or unspecified equipment, remaining inoperable/not being replaced for long periods of time. The Agencies should also exhibit a much greater sense of responsibility in making sure that the equipment is properly packed to ensure its safe arrival at the port of embarkation and the project site.
To this, UNIDO Management stated that the growing interaction between the institutions/counterparts and UNIDO technical staff in the selection of equipment optimises the likelihood that the equipment is totally responsive to the actual needs, and consequently will be utilized. With regard to packing of equipment, Management simply referred to UNIDO's General Conditions on the reverse side of the order form, and further stated that when special handling is required, additional instruction is provided to the vendor, based on information from the field.

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37. Referring to our previous report of 1988 where we indicated that the UNIDO General Conditions on procurement of equipment are not always adhered to and in a number of cases further appeared totally inadequate for fully protecting UNIDO's interests, and where we recommended that the usefulness of the insertion of a penalty clause in the contracts and purchase orders be re-examined, we questioned Management on the current status of (i) the review of UNIDO General Conditions on procurement of equipment and (ii) the re-examination of the usefulness of a penalty clause.

38. As regards the review of the General Conditions of UNIDO's Purchase Orders for the procurement of equipment, Management explained that this had to be postponed but, it is planned that such re-examination will be undertaken shortly and the new General Conditions should be available for use at the latest by the end of 1990. As for the penalty clause, Management reiterated that such a clause not only would raise the contract price, but also was not necessary in view of the clauses on progress payments, on a bank bond covering the last progress payment, on the withholding of payments and on default. The progress payments clauses might, however, be made even stricter by reducing the percentage paid at each stage of performance by the vendor.

E. Contracts.

39. Our audit revealed that in 1988 and/or 1989 the progress of some projects was also seriously hampered by deficiencies or delays in the implementation of contracts. For example, projects DP/ALG/87/025; DG/CPR/85/015; DP/ETH/83/024; DP/GHA/86/001; DP/IND/86/037 and DP/IRA/83/014.

40. We recommended that appropriate steps be taken to avoid that projects are delayed by shortcomings of contractors, and a penalty clause be inserted in the contracts.

41. Management, however, felt that there is no need to insert a penalty clause in contracts and any step to propose such a clause to contractors most likely would prove to be counterproductive. The contractors would also request a similar penalty clause in their favour. In such instances, UNIDO would be in a very difficult position vis-à-vis the contractors as the delays incurred are in most cases on the side of the governments' counterparts and beyond UNIDO's control.

F. Experts and Consultants.

42. During our examination we discovered that in 1988 and/or 1989 the implementation of a number of projects continued to be hampered by: (i) difficulties in identifying suitable experts and/or consultants; (ii) delays in the approval of job descriptions and/or in acceptance of candidates by governments; (iii) poor performance of experts and consultants or their late arrival at and/or early departure from the project.

For example, projects DP/ANG/86/004; DP/CPR/85/004; DP/GHA/86/001; DP/DUY/85/009; DP/IND/83/017; DP/IND/84/013; DP/IRQ/87/001; DP/MEX/87/004; DP/NEP/80/003; DP/PAK/83/014; DP/PNG/86/002; DP/SAU/86/004; DP/SAU/86/003; DP/SYR/86/010; DP/TRI/85/027; DP/VIE/86/013; DP/VIE/86/031 and DP/VIE/86/037.

43. Referring to the abovementioned background paper for the mid-term review of a Country Programme, we questioned Management on the substantial decline in the numbers of Chief Technical Advisers (CTAs) and long/medium term experts and to the increase in the number of (very costly) short-term consultancies.

We were informed by Management that the trend towards short-term experts on mission (consultants), while being particularly strong in Asian countries has been prevailing worldwide. UNIDO's 1988 records show that average initial contracts were for 2.63 months and 52.6 per cent of all appointments were for one month or less. Management fully agreed with the assessment that this is very costly and the point has been reached where further shortening of missions would be of very doubtful value and no longer cost-efficient considering the costs for recruitment, briefing, travel and administration. We therefore recommended that this development should be duly taken into consideration and followed-up.

44. From the aforementioned background paper we further noted that there must be very clear and precise job descriptions for the Agency involved to be able to recruite an appropriate consultant. Clearance of consultants by the Government must be timely, and before the person arrives there must be adequate preparation and proper briefing to ensure that he/she has a clear understanding of his/her role and expected contribution. There must also be an adequate level of counterpart support throughout such assignment, and on completion of assignment, the project management must ensure that the consultant produces a report so that the project does not have to wait unduly long to derive the benefit of his/her mission. The visit must also be well timed and not be too short if it is to be effective.

Management explained that the procedure for submission of panels of candidates to, and selection/clearance by governments is still the same if not more cumbersome, as in the time of

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prevalence of longer-term assignments, and should be simplified. Experts often complain about insufficient counterpart preparedness and briefing rendering missions less efficient than expected.
We therefore recommended that these issues be taken up with all parties concerned.

45. Likewise, we noted from the aforementioned background paper that there is a great scope for improvement for the UN Agencies to update their rosters and to recruit qualified and competent experts/consultants. Often Executing Agencies are unable to recruit experts as per project requirements.
The consultants/experts proposed by the Agencies from their rosters are not always found suitable resulting in a high percentage of rejection by project authorities and eventually delaying the fielding of these experts.
In this connection, Management stated that improvement of UNIDO's roster is a continuous priority task. The roster comprises some 13,000 candidates. During the last three years more than 5,000 new candidates were added to it and also more than 5,000 were removed. Rejection of candidates on technical grounds is in most cases an indication that counterpart expectations are either inadequately reflected in job descriptions or not known to the substantive backstopping officer who evaluates the technical suitability of the experts. In general UNIDO would not submit technically inadequate candidates.
Management added that, although they have been requested to do so, governments do not usually point out the reasons for the rejection of candidates. Through Resident Representatives and UCDs UNIDO is trying to change this situation as a focused search for alternative candidates would be much more effective if such reasons were known to the Recruitment Section.

46. As for the quality of experts, Management explained that it is aware that a limited number of experts, out of approximately 2,000 per year who are serving on projects, do not perform properly or abandon their post for personal and other reasons. With a view to further reducing such instances UNIDO is requesting field officers (UNDP, UCDs) to inform Headquarters about the expert's performance in order to assess his/her suitability for future re-employment. Usually, the feedback UNIDO receives is very positive and contributes to long-term improvement of the quality of experts. Management added that UNIDO is presently in the process of developing a more differentiated format of in-house experts evaluations in order to further reduce the risk of employment or re-employment of low-quality experts.

G. Training and Fellowships.

47. Our audit further indicated that in 1988 and/or in 1989 the production of certain outputs of a number of projects also continued to be hampered by: (i) delays in nominating fellows and participants for study tours; (ii) the non-availability of national counterpart personnel for training and fellowships; (iii) the lack of fellows with sufficient language capabilities; (iv) increases in the cost of training fees. For example, projects DP/CPR/85/004; DP/CPR/85/010; DP/CPR/85/016; DP/CPR/85/022; DP/CPR/85/023; DP/CPR/85/055; DP/CPR/85/060; DP/IND/83/008; DP/IND/84/013; DP/IND/85/004; DP/PAK/83/014; DP/SYR/86/010 and DP/VIE/85/010.

48. With regard to the delays in nominating fellows and participants for study tours, Management explained that they continued to be the major cause for delays in the implementation of the training components. UNIDO has made efforts to alert the National Project Directors (NPDs), CTAs and local UNDP offices to submit nomination forms at the earliest possible time. In an effort to accelerate submission of nomination forms, the UNIDO fellowship officer visited countries with large training components at the beginning of 1989. The purpose of the mission was to have direct consultation with project authorities and governments in order to introduce a systematic approach of the placement of fellows. On the basis of advance information obtained during the staff member's mission UNIDO has alerted National Supervising Agencies to identify potential training institutions.
Management further informed us that a number of projects were also hampered by the fact that candidates were withdrawn and replaced by the relevant authorities after all administrative arrangements had been made, resulting in additional cost in terms of money and time to the Organization.

49. As for the non-availability of National Counterpart Personnel for training and fellowships, Management stated that it takes a long time to identify fellows for training particularly in cases where project staff resign or are reassigned to another task. The Fellowship Unit has repeatedly reminded UCDs and Junior Professional Officers (JPOs) - when they are at Headquarters - to convene periodic meetings with NPDs and CTAs in order to identify potential candidates for training.

50. As to the language problem, Management explained that UNIDO has recommended UNDP in selected cases that the

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authorities concerned should consider the possibility of providing two or three months language training for those fellows who are taking more than three months training. The language course could be arranged at the cost of the host training country. Management hoped that if this proposal is accepted it will reduce the long delays which are caused because of the language and up-grade the quality of the training.

51. With regard to the training cost for fellowships, we were informed by Administration that the cost of industrial training is very expensive because of the level of training required, which can only be found in highly specialized institutions. Long-term training however is cheaper than short-term.
The proforma cost for training in 1989 was US$ 3,300 per work-month, calculated as follows: average actual costs of all fellowships per man-month of the last year plus ten per cent increase for the following year to cover inflation and the increase of training fees. The use of proforma costs for fellowships is not mandatory; they are the suggested rates to be included in project budgets in the absence of more specific information.

H. Deficiencies on the part of Government Counterpart.

52. In this matter, our review finally disclosed that in 1988 and 1989 quite a number of projects were seriously hindered by: (i) delays in completion of project buildings and facilities;
(ii) the lack of or late provision of required counterpart staff;
(iii) delays in nomination of candidates for training activities;
(iv) delays in the selection and clearance of nominated experts and/or consultants; (v) delays in the clearance of the terms of reference for sub-contracting; (vi) delayed submission and endorsement of equipment specifications.
For example, projects DP/BOL/83/012; DP/CPR/85/055; DG/CPR/85/057; DP/CPR/87/017; DP/CVI/84/002; DP/EGY/85/002; DP/ETH/79/003; DP/ETH/83/024; DP/GHA/86/001; DP/IND/85/026; DP/IRA/83/014; DP/NEP/80/003; DP/NEP/86/005; ST/PAK/80/T01; DP/PAK/83/014; DP/PAK/86/010; DP/PHI/87/008; DP/PNG/86/002; and DP/VIE/85/010.

Sustainability, commercial viability, and impact of the projects

53. We noted from the 'Analysis of Experience with Tripartite In-depth Evaluations of UNIDO-executed Projects in 1988' that new reasons are being invoked for in-depth evaluations, namely check on impact, sustainability and validity of methodologies used.

54. We also noted from document IDB.6/10, Chapter V, that in order to further improve project design, work was initiated on how to assess the potential impact and effectiveness of large-scale projects on the industrial development objectives of recipient countries.

55. We furthermore observed that in the comments made by UNIDO Evaluation Staff on PPERs strong concern was expressed about *inter alia*: (i) the sustainability and/or commercial viability of a number of projects after the termination of external assistance; (ii) ensuring continuous dissemination of the results achieved to a wider forum; (iii) the lack of a market survey to assess the potential demand for the products and/or services developed. This was the case in projects DP/BGD/84/037; DP/MAG/86/007; DP/NEP/80/003; DP/PHI/87/008; DP/RER/83/003; DP/SOM/86/034 and DP/VIE/80/039, an approach which deserves to be commended.

56. I wish to record my appreciation for the willing co-operation and assistance extended by the Officers and the Staff of the Organization.

Brussels, 6 July 1990.

Jeroom L.E. VAN de VELDE
Senior President of the
Court of Audit, Belgium
External Auditor

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
(Name of Participating and Executing Agency)

Status of Funds as at 31 December 1989
(in US dollars)

Operating Fund

Balance at 1 January 1989		(30,642,382)
Add: Cash drawings from UNDP	67,656,159	
IOVs	25,962,676	
Other charges/credits [net]	(3,997,341)	
Miscellaneous income and exchange adjustments [net]	59,558	
Miscellaneous items refund to UNDP [net]	(17,523)	89,663,529
		59,021,147
Less: Expenditure during 1989		
For projects		
Disbursements [Schedule 1A]	46,675,765	
Unliquidated obligations [Schedule 1A]	33,193,764	
For programme support costs [Schedule 1A]	10,319,025	90,188,554
Adjustments: Prior year's expenditure [Schedule 1B]	--	
Prior year's programme support costs [Schedule 1B]	--	--
Balance at 31 December 1989		(31,167,407)
Represented by:		
Cash at banks, on hand and in transit	4,314,355	
Accounts receivable [Schedule 8]	28,455,048	32,769,403
Less: Accounts payable [Schedule 9]	30,743,046	
1989 Unliquidated obligations [Schedule 1A]	33,193,764	63,936,810
		(31,167,407)

CERTIFIED CORRECT

H. Pichler
Director
Financial Services Division

APPROVED

D.L. Siazon, Jr.
Director-General

AUDIT OPINION

The above Statement and the related Schedules have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period concerned.

Brussels, 20 april 1990.

Jeroom L.E. VAN de VELDE.
Senior President of the
Court of Audit, Belgium.

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

INTERNATIONAL ATOMIC ENERGY AGENCY

Status of funds as at 31 December 1989

(Expressed in US dollars)

OPERATING FUND

Balance as at 1 January 1989		(2 448 961)
Cash drawings from UNDP	2 307 000	
Interoffice vouchers and other charges (net)	2 324 237	
Other charges/credits (net) GCCC	19 428	
Miscellaneous income and exchange adjustments (net)	(825)	
Miscellaneous items refunded to UNDP (net)	(3 916)	4 645 924
		2 196 963
Expenditure during 1989		
For projects		
Disbursements (Schedule 1A)	1 554 044	
Unliquidated obligations (Schedule 1A)	1 398 879	
For programme support costs (Schedule 1A)	649 643	
For programme support costs	862	3 603 428
Balance at 31 December 1989		(1 406 465)
REPRESENTED BY:		
Cash at banks, on hand and in transit	253 126	
Accounts receivable	223 776	476 902
Accounts payable	484 488	
1989 unliquidated obligations (Schedule 1A)	1 398 879	1 883 367
		(1 406 465)

ANDRE R. GUE
Director, Divison of Budget and Finance

HANS BLIX
Director General

The above Statement has been examined in accordance with my directions. I have obtained all the information and explanations that I have required and I certify, as a result of the audit, that in my opinion the Statement is correct.

D.G. NJOROGE
External Auditor

REPORT OF THE EXTERNAL AUDITORS ON THE ACCOUNTS OF THE WORLD TOURISM ORGANIZATION AS AN EXECUTING AGENCY FOR THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) FOR THE FINANCIAL YEAR 1989

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1. We have carefully examined the administrative accounts, as well as their relevant statements, submitted to us by the World Tourism Organization (WTO) in pages 28 to 35 of the financial document CE/38/4 b) in its capacity as an executing agency for the funds allocated to it by the United Nations Development Programme (UNDP) for the financial year closed on 31 December 1989.

2. We have jointly and separately reviewed the accounting procedures and such texts of the accounting records and other supporting evidence as we considered necessary in the circumstances.

3. As a result of our examination, we are of the opinion that, from the accounting standpoint, the financial statements properly reflect the financial transactions for the year 1989, and that in accordance with the financial and budgetary regulations and other applicable provisions, they present fairly the financial position at 31 December 1989.

4. It would be desirable in future to introduce regulations applicable to experts hired for the execution of technical cooperation projects.

5. We wish to note that the technical cooperation activity not only fulfils the main aim set forth in Article 3 of WTO's Statutes, which is to "pay particular attention to the interests of the developing countries in the field of tourism", but also has in some measure a "self-financing" character, thanks to the partial reimbursement to WTO of the support costs it incurs in executing UNDP projects. This potential extrabudgetary income is highly valuable, and every effort should be made to secure it.

6. We wish to express our gratitude to the Secretary-General of the World Tourism Organization and to all his staff, particularly to the Sections of Budget, Finance and Internal Services and of Technical Cooperation for their diligent and cordial assistance throughout our assignment.

Madrid, 28 March 1990

A. Carrión Macías

A. Bodhewel Diallo

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
World Tourism Organization

Status of Funds as at 31 December 1989
(in US dollars)

Operating Fund			US$
Balance at 1 January 1989			(219,371.62)
Add: Cash drawings from UNDP		3,168,000.00	
I O Vs		1,039,117.09	
Other charges/credits (net)		(228,140.38)	
Miscellaneous income and exchange adjustments (net)		30,228.45	
Miscellaneous items refunded to UNDP (net)		(1,919.93)	4,007,285.23
			3,787,913.61
Less: Expenditure during 1989			
For projects			
Disbursements	(Schedule 1A)	2,886,823.00	
Unliquidated obligations	(Schedule 1A)	113,987.32	
For programme support costs	(Schedule 1A)	660,178.27	3,660,988.59
Balance at 31 December 1989			126,925.02
Represented by:			
Cash at banks			101,157.74
Accounts receivable (Schedule 8)			151,599.24
			252,756.98
Less: Accounts payable (Schedule 9)		11,844.64	
1989 Unliquidated obligations	(Schedule 1A)	113,987.32	125,831.96
			126,925.02

CERTIFIED CORRECT

Michel Bousscomier
Chief, Technical Cooperation
and Relations Division

APPROVED

Antonio Enríquez Savignac
Secretary-General

AUDIT CERTIFICATE

A. Turrión Macías

A. Bodhéwel Diallo

/...

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Akintola Williams & Hassan Inc.
Chartered Accountants

REPORT OF THE EXTERNAL AUDITORS OF THE AFRICAN DEVELOPMENT BANK ON THE PROJECT ACCOUNTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) FOR THE YEAR ENDED 31 DECEMBER 1989

In accordance with Article XI.3 of the Agreement dated 4 March 1977 between the United Nations Development Programme and the African Development Bank, we have examined the accompanying financial statements. The statements are in agreement with the books of account of the African Development Bank which record the financial aspects of the projects.

Our examination was made in accordance with internationally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the project as of 31 December 1989 and the results of their operations for the year then ended and, in conformity with the terms of the Agreement referred to above as well as the Agreements which governs the individual projects.

Akintola Williams & Hassan Inc.
AKINTOLA WILLIAMS & HASSAN INC

5-7-1990

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

AFRICAN DEVELOPMENT BANK

Status of Funds as at 31 December 1989

(in US dollars)

Operating Fund		US$	US$
Balance at 1 January 1989			(320 283)
Add: Cash drawings from UNDP		2 503 566	
IOVs			
Other charges/credit (net)		39 071	
Miscellaneous income and exchange adjustment (net)		4 075	
Miscellaneous items refunded to trust fund (net)		-	2 546 712
			2 226 429
Less: Expenditure during 1988			
For projects			
Disbursements	(Schedule 1A)	2 191 994	
Unliquidated obligation	(Schedule 1A)	184 355	
For support cost	(Schedule 1A)	308 925	(2 685 274)
Add/ Adjustment to prior year's		-	-
Subtract: expenditure (Schedule 1B)		-	-
Adjustment to prior year's programme support costs (Schedule 1B)		-	-
Balance at 31 March 1989		-	(458 845)
Represented by:			
Cash at banks, on hand and in transit		29 296	-
Accounts receivable (Schedule 8)		-	-
Miscellaneous exchange		13 771	43 067
Less: Accounts payable (Schedule 9)		317 557	-
1988 Unliquidated obligations (Schedule 1A)		184 355	(501 912)
			(458 845)

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INDEPENDENT AUDITORS' REPORT

Asian Development Bank - Executing Agency
for the United Nations Development Programme:

We have audited the Statement of Status of Funds as at 31 December 1989 (Statement 1) and supplemental schedules relating to funds for projects as to which the Bank is the Executing Agency for the United Nations Development Programme. This financial statement and the supplemental schedules discussed below are the responsibility of the Executing Agency's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Notes A and B to Statement of Status of Funds, the financial statement was prepared in accordance with the format and accounting practices prescribed by United Nations Development Programme ("UNDP"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, such financial statement presents fairly, in all material respects, the status as at 31 December 1989 of funds for which the Bank is the Executing Agency for the United Nations Development Programme and the receipts and expenditures of such funds for the year then ended on the basis of accounting described in Notes A and B.

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Our audit was made for the purpose of forming an opinion on the basic statement taken as a whole. The following supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statement:

Supplemental Schedules:

Expenditures by Source of Funds for the year ended 31 December 1989 (Schedule 1A)

Expenditures by Country for the year ended 31 December 1989 (Schedule 2)

Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statement and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statement taken as a whole.

Deloitte & Touche

28 February 1990

SUPPLEMENTARY INFORMATION PROVIDED BY DELOITTE AND TOUCHE, 28 FEBRUARY 1990, ON THE AUDIT OF THE ACCOUNTS OF THE ASIAN DEVELOPMENT BANK

SECTION I - SUMMARY OF OBSERVATIONS AND CONCLUSIONS

The following is a summary of our observations and conclusions resulting from the work performed as set forth in Sections II, III, and IV.

- UNDP-financed projects assigned to the Asian Development Bank as Executing Agency are being administered by the Bank on a regular and timely basis.
- The Bank appears to be taking appropriate follow-up actions, to the extent practicable, on problems identified in consultants' progress reports.
- The Bank is complying with its established procurement procedures pertaining to the engagement of consultants.
- No material weaknesses were identified in the system of internal accounting control.

SECTION II - PRINCIPAL AUDIT PROCEDURES

Our audit of the financial statement and the supplemental schedules referred to previously was conducted in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. Our study and evaluation of internal accounting control is separately described in Section IV. Other principal audit procedures which we believe would be of interest to the Governing Council of the UNDP are briefly described as follows:

Cash at Banks - Obtained confirmations of all bank balances as of 31 December 1989 and tested related bank reconciliations.

Accounts Receivable - Requested positive confirmation of recorded amounts for a judgmental selection of accounts. All replies to confirmation requests were received without exception.

Accounts Payable and Unliquidated Obligations - Requested independent confirmations from vendors selected from cash-disbursements records. Differences disclosed in confirmation replies were satisfactorily resolved and appropriate supporting documentation was examined for the accounts for which no confirmation reply was received.

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Reviewed subsequent disbursement records for possible unrecorded liabilities at 31 December 1989, noting no exceptions.

Cash Drawings, IOVs and Other Charges - Obtained positive confirmation of 1989 amounts directly from UNDP.

Project Expenditures - Statistically selected individual disbursements and examined supporting documents for propriety of project distribution and for approval and other independent indications of validity.

Programme Support Costs - Recomputed total costs for 1989 which were based on 13% of project expenditures in accordance with correspondence between the Bank and UNDP.

SECTION III - ADDITIONAL PROCEDURES

In connection with our audit of the UNDP financial statement and the supplemental schedules, we performed the following additional procedures as requested by you.

Contracts with Consultants - We selected three of the fifteen projects to which expenditures were substantially started in 1989. For each of the selected projects we ascertained, by reference to supporting contract documentation, that the Bank had complied with its procurement procedures pertaining to the engagement of technical assistance consulting firms' consultants as provided for in its published guidelines approved by the Board of Directors.

Review of Selected Projects - We selected four of the sixty UNDP-financed projects being administered by the Bank as of 31 December 1989 and performed the following procedures for each of the selected projects:

- Compared project expenditures accumulated through 31 December 1989, in total and (where applicable) by category, to the related budget.
- Reviewed the project's progress to date in relation to the anticipated progress outlined in the underlying project documents.
- Read progress reports issued during the year by the consultant in charge.

In performing the foregoing procedures, nothing came to our attention that caused us to believe that the projects were not being monitored, or that progress reports were not being submitted, on a timely basis. Furthermore, the Bank appears to be taking appropriate follow-up actions, to the extent practicable, with respect to problems identified in the progress reports.

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Accounting for Equipment - Expenditures for equipment are recognized based on signed contractual agreement or firm order placed. With respect to the 1989 financial statement the amount of unliquidated obligations relating to equipment was U.S.$171,266 which constituted 5.19 percent of the total unliquidated obligations of U.S.$3,298,455 as of 31 December 1989. Accordingly, we did not perform any additional procedures to assess the materiality of an accounting policy change from the "commitment" to the "delivery" concept due to immateriality.

SECTION IV - INTERNAL ACCOUNTING CONTROL

In planning and performing our audit, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under generally accepted auditing standards. However, we noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Bank is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of the structure are to provide management with reasonable, but not absolute, assurance that the specific entity objectives will be achieved. These specific objectives, as they relate to an audit, include the establishment of policies and procedures that provide reasonable assurance that the entity has recorded, processed, summarized, and reported financial data that is consistent with management's assertions that are embodied in the financial statements. In addition, the structure provides management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

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Because of inherent limitations in any system of internal control structure, errors or irregularities nevertheless may occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. These criteria may be broader than those that may be appropriate for evaluating weaknesses in accounting control for management or other purposes.

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STATEMENT I
UNITED NATIONS DEVELOPMENT PROGRAMME
Asian Development Bank
(Executing Agency)

Status of Funds as at 31 December 1989
(Expressed in US dollars)

Operating Fund

Balance at 1 January 1989			($ 812,239.32)
Add: Cash drawings from UNDP		$8,044,089.88	
IOVs		621,191.00	
Other charges/credit (net)		56,239.04	
Miscellaneous income and exchange adjustments (net)		(5,337.35)	
Miscellaneous items refunded to UNDP(net)		6,135.11	8,722,317.68
			7,910,078.36
Less: Expenditures during 1989			
For projects:			
Disbursements	(Schedule 1A)	5,435,266.43	
Unliquidated obligations	(Schedule 1A)	3,298,455.21	
For programme support costs	(SChedule 1A)	1,135,383.82	
		9,869,105.46	
PSC for additional audit services		13,000.00	9,882,105.46
Balance at 31 December 1989			($1,972,027.10)
Represented by:			
Cash at banks, on hand and in transit		$ 92,917.49	
Accounts receivable (Note C)	(Schedule 8)	2,321,849.86	$2,414,767.35
Less: Accounts payable (Note D)	(Schedule 9)	1,088,339.24	
1989 Unliquidated obligations	(Schedule IA)	3,298,455.21	4,386,794.45
			($1,972,027.10)

See notes to financial statements.

CERTIFIED CORRECT:

S. KALYANARAMAN
Assistant Controller

APPROVED:

SHAMSHAD ALI KHAN
Controller

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UNITED NATIONS DEVELOPMENT PROGRAMME
International Trade Centre (ITC)

AUDIT OPINION

We have examined the following appended financial statements, numbered I to VII, properly identified, and relevant schedules of the International Trade Centre for the financial period ended 31 December 1989. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As a result of our examination, we are of the opinion that the financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended.

The financial statements were prepared in accordance with the stated accounting principles, which were applied on a basis consistent with that of the preceding financial period.

Transactions were in accordance with the Financial Regulations and legislative authority.

(*Signed*) O.T. PREMPEH
Auditor-General of Ghana

(*Signed*) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(*Signed*) Heinz Günter ZAVELBERG
President of the Federal Court of Audit
of the Federal Republic of Germany

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
International Trade Centre (ITC)

Status of funds as at 31 December 1989
(Expressed in US dollars)

Operating Fund

	$	$
Balance at 1 January 1989		(1,845,316)
Add: Cash drawings from UNDP	8,671,729	
IOVs	6,022,876	
Other charges/credits (net)	909,328	
Miscellaneous income and exchange adjustments (net)	30,282	
Miscellaneous items refunded to UNDP (net)	41,921	15,676,136
		13,830,820
Less: Expenditure during 1989		
For projects		
Disbursements (Schedule 1A)	11,270,206	
Unliquidated obligations (Schedule 1A)	3,576,318	
For programme support costs (Schedule 1A)	1,921,099	(16,767,623)
		(2,936,803)
Add/ Subtract: Adjustment to prior year's expenditure (Schedule 1B)	-	
Adjustment to prior year's programme support costs (Schedule 1B)	-	
Balance at 31 December 1989		(2,936,803)
Represented by:		
Cash at banks, on hand and in transit		390,126
Accounts receivable (Schedule 8)		920,816
		1,310,942
Less: Accounts payable (Schedule 9)	671,427	
1989 Unliquidated obligations (Schedule 1A)	3,576,318	4,247,745
		(2,936,803)

CERTIFIED CORRECT APPROVED

AUDIT CERTIFICATE

NOTE: There is no separate audit certification of the Status of Funds of the International Trade Centre (ITC) as an executing agency for UNDP-financed projects. However, the balance shown above forms an integral part of the financial statements that were audited at 31 December 1989 and which were unqualified by the United Nations Board of Auditors (See Page 110).

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STATEMENT V*

UNDP: UNITED NATIONS DEVELOPMENT PROGRAMME ACCOUNT

United Nations Development Programme as an executing agency for its projects

Status of funds as at 31 December 1989

(United States dollars)

1988			1989
(20 143 162)	Balance at beginning of year		(25 622 149)
	Add: Cash drawings, inter-office vouchers		
100 742 415	and other charges (net)		130 734 472
	Miscellaneous income and exchange		
23 236	adjustments (net)		(18 743)
32 332	Miscellaneous items refunded to UNDP (net)		(53 898)
80 654 821			105 039 682
	Less: Programme expenditure		
79 556 780	Executed by the Office for Project Services	(schedule 13)	85 464 169
	Administered by units other than the Office		
971 732	for Project Services (net)	(note 12)	4 361 639
80 528 512			89 825 808 a/
	Executed by the United Nations Volunteers		
9 969 142	programme		12 458 254 a/
90 497 654			102 284 062
	Support costs:		
6 341 546	Office for Project Services	(schedule 6)	9 305 318
1 678 964	Inter-agency Procurement Services Office	(schedule 6)	1 531 329
7 250 932	United Nations Volunteers programme	(schedule 6)	9 857 300
507 874	Headquarters government execution support (note 15)	(schedule 6)	698 281
	Expert group on successor arrangements		
-	for agency support costs		788 647
15 779 316			22 180 875 a/
106 276 970			124 464 937
(25 622 149)	Balance at end of year		(19 425 255)
	Represented by:		
	Unliquidated obligations:		
(24 208 124)	Office for Project Services		(17 710 243)
(18 500)	United Nations Volunteers programme		(16 260)
(1 395 525)	UNDP units other than the Office for Project Services		(1 698 752)
(25 622 149)		(note 4)	(19 425 255)

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a/ As shown in schedule 5 to the nearest thousand dollars, and included in total programme support costs of $112,862,030 on statement I.

The accompanying notes are an integral part of the financial statements.

*Extract from Official Records of the General Assembly, Forty-fifth Session, Supplement No. 5A (A/45/5/Add.1), which also contains the report of the United Nations Board of Auditors on the UNDP financial statements for 1989.